

Fuel Oil News

MAY 2020

COVID-19 SPECIAL UPDATE

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FUTURE KEROSENE DEMAND





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Fuel Oil News

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

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“We are all experiencing the effects of Covid-19 differently. We want to know how people are feeling now and see how that changes after Covid-19 has passed. Some will cope well and get back on their feet quickly, but others won't.” The words of Professor David Porteous, Principal Investigator for Generation Scotland at University of Edinburgh, who has launched a survey to assess the impact of the virus.

Two months back, coronavirus was a growing threat. Today it is the dominant matter in all our lives.

Many of the policies and plans top of the agenda even a few short weeks ago, now seem secondary concerns when compared to the immediate priorities of getting to the other side and then recovering as best we can.

For many in the UK the only day of the week recognised with any certainty is Thursday – a day that has become synonymous with an outbreak of applause in appreciation of those working on the frontline in the battle against coronavirus. For the last five weeks up and down the country, people have turned out with pots, pans and passion aplenty to stand in solidarity, embracing a movement that has

become a poignant focal point.

But, whilst much of the country remains in lockdown, another essential service has been extremely busy overcoming the combined challenges of maintaining essential supplies and adapting operations to a landscape that changes by the day.

In this issue we look in depth at the ingenuity and resilience of the fuel oil distribution industry in the face of yet another test, which has produced some unique contributions as well as a heart-warming community response.

Current events have undeniably impacted, and the turn of the year now feels like a lifetime ago. As the scenario continues to unfold, anyone confident enough to forecast how this pandemic will play out in the oil sector is a very brave person indeed. The challenge must not be underestimated but, with one distributor reminded of ‘the Beast from the East but without the snow’ this is an industry that will draw on all it has learned from previous tests leaving no doubt that it will also overcome this one.

Our thoughts, and best wishes, are with all those affected – stay safe.



On the cover

A WP Group tanker sits outside its offices in Grosvenor Square, in the heart of Southampton's business district. Moving there in August 2018 from the long-term HQ in Fawley Oil Refinery was a big change for the business but one that came at the right time as the journey under new ownership began. See pages 14 & 15



In this issue

With the tireless efforts of fuel oil distributors to maintain supplies at the same time as rising to the challenges of almost daily changes we look at some of the heart-warming stories of community appreciation on page 11

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Malton fuel depot open after transformation

Following a £400,000 investment, Rix Petroleum opened its Stones Fuel Oils depot in Malton, North Yorkshire to the public in March. With fuel storage capacity increased by 50,000 litres, the offices and wider site have also been fully refurbished.

Rix Petroleum acquired Stones Fuel Oils in November 2017 from Geoff Stone, well-known local businessman and son of the founder, Geoff agreed to sell to Rix on his retirement because, as another local, family firm, he was confident the business would uphold the values on which Stones Fuel Oils was built.

Managing director of Rix Petroleum, Duncan Lambert commented; "As a fifth-generation family firm with proud Yorkshire roots, our success has been built on becoming part of the communities we serve and



New depot manager Paul Clappison is pictured with Ann-Marie Shaw outside the Rix Stones Malton depot.

providing the best customer service and support we possibly can.

"This is what we aim to do in Malton; become a valued member of the community and ensure that our customers know they can rely on us for all their fuel, lubricant and heating needs."

The company has also ordered two new tankers to replace existing ones coming towards the end of their working life. Once again supplied by Tasca Tankers Ltd with chassis by Scania and Alpeco metering equipment, the tankers will be delivered later in the year to meet a rising fuel demand from rural households, farms and businesses in Malton and surrounding areas.

Increased demand sees re-introduction of familiar figure

A surge in customer demand and requests has recently seen a well-known industry figure re-introduced to the tanker rental market. Bruce Williams, the owner of Williams Tanker Services for 21 years before its purchase by TIP Rentals, has responded to the increase in those seeking his services.

Never having lost his enthusiasm for offering quality solutions within the industry the enquiries have led Bruce to establish Road Tank Rental Ltd, a subsidiary of his existing business Tanker Consulting Services Ltd.

In his former role heading up WTS Bruce developed a 100+ road tank rental fleet and

established the company as the leading sales outlet in Europe for LAG Trailers (Belgium). Offering extensive workshop facilities as well as a highly rated refurbishment centre for road tank and gas companies Bruce became widely recognised and highly respected.

Explaining his return to the rental market Bruce commented; 'Whilst there is a significant drop in current demand, I am also finding a lot of people contacting me looking for assistance in sourcing the right tank solutions for their needs. The markets will recover of course, and launching this rental service now means we will be well placed to help when it does'.

FTA welcomes postponement of CAZs

The decision by the government to postpone the introduction of Clean Air Zones (CAZs) until 2021 has been welcomed by the FTA, the trade body for the logistics industry.

Natalie Chapman, head of urban policy at the FTA, said; "As the business organisation representing the logistics sector, FTA has been urging government to delay the introduction of CAZs urgently to allow businesses to focus their efforts on keeping goods moving throughout the Covid-19 outbreak, so we were pleased to receive a letter from Environment, Food and Rural Affairs minister Rebecca Pow to confirm implementation of the schemes will be postponed until at least January 2021."

Supportive of policy

"While FTA and its members support fully the government's ambition to improve air quality across the UK, to achieve compliance with the scheme, businesses would have to undertake significant work and planning."

"Once the immediacy of the coronavirus crisis comes to an end, FTA will continue to work with Defra and cities including Birmingham and Leeds, whose zones were due to come into force this year, to ensure the detail of the schemes take into account the needs of businesses while delivering improvements to air quality."

A total of five cities across the UK were originally mandated to introduce CAZs; Birmingham, Leeds, Nottingham, Southampton and Derby. This would have restricted the use of older, more polluting vehicles including HGVs, LGVs, PHVs, buses, coaches, taxis and cars.

Gleaner name evolution is a nod to the future

Having diversified into many new areas, the original name of Gleaner Oils no longer reflected all the facets of the company and it has now been simplified to the new name of 'Gleaner'.

Asked about the name change David Todd, managing director, explained; "We wanted to reflect all we offer as a business

and we didn't feel the original name achieved this. Another important consideration was that particularly in the North East of Scotland, the word 'oil' is strongly associated with Upstream UK oil which, of course, is not us.

"One other thing it achieves is a nod towards the carbon neutral future we are all working towards."

A Gleaner tanker travelling through Glenmore Mull on a rare snowy day earlier this year proudly displays the simplified company name.



Heltor returns to Michelin tyre policy

Newton Abbot-based heating oil and fuel specialist Heltor has returned to a full Michelin tyre policy across its fleet of more than 50 commercial vehicles, less than two years after switching to a competing premium brand.

Heltor's fleet operations manager, Ian Peacock, says: "The change in tyre policy was designed to reduce our vehicle operating costs, but in fact we saw our tyre bills rising.

"We compared our new tyres versus existing Michelin tyres on like-for-like vehicles, and there was a noticeable difference. The Michelins were consistently delivering around 65 per cent greater tyre life on the drive axle, and more than twice the life on our trailers. You can't argue with that kind of performance advantage."

Michelin is now supplying 100 per cent of all commercial vehicle tyres to Heltor on a



Heltor vehicles refurbished with cost reducing Michelin tyres

'purchase and supply' agreement. All tyres follow a multi-life policy which helps to extract the maximum performance from each new Michelin casing.

A vital contribution to cost control

With Heltor specialising in the sale and movement of petroleum products across the South West of England as well as the supply of engine oils, lubricants, greases, coolants, fluids and AdBlue control of vehicle operating costs is vital.

"We've benefited from great support and guidance from Michelin at every stage of the process," Ian adds.

LowCVP sets out the case for biofuels

A new guide for fleet operators published by the Low Carbon Vehicle Partnership (LowCVP), suggests renewable fuels can immediately cut greenhouse gas emissions in road transport.

The Renewable Fuels Guide, supported by CNG Fuels and Scania, claims the adoption of renewable fuels from sustainable feedstocks offers 'one of the most rapid, and economically viable,' routes to lowering emissions for vehicles, both new and those already in service.

It covers the low carbon and sustainable fuels currently available in the UK, with a focus on high blend biofuels for use in commercial vehicles and highlights opportunities for the introduction of renewable fuels including biodiesel, biomethane, biopropane and HVO.

The next decade is critical

LowCVP's head of projects, Gloria Esposito, said; "The next decade is going to be critical



for mitigating road transport greenhouse gas emissions if we are to meet the 2050 net zero target. Public and private sector fleet operators are under growing pressure to reduce the carbon footprint of their own activities and those of their suppliers. Renewable fuels can provide an immediate and cost-effective solution to achieving such savings, especially for HGV fleets.

A strategic network

Philip Fjeld, CEO & co-founder, CNG Fuels said; "We are working hard to make it easier for fleet operators to switch from diesel and help decarbonise freight transport.

"We are building a strategic network of refuelling stations and have just opened Europe's largest CNG refuelling station in Warrington. From next year we will be supplying the UK's first carbon neutral fuel for HGVs, helping our customers achieve Net Zero emissions."

Reliable FUSO Canter has more than enough 'bottle' for HBS Fuels

When domestic and commercial heating oil and gas supplier HBS Fuels decided to relegate two long-running FUSO Canter to support roles, their front-line replacements were always going to be updated versions of the same model.

They are now working alongside HBS Fuels' 15-registered 7.5-tonne Canter and delivering within a 30-mile radius of the company's base in Stockbridge.

The two Canter which made way for the new arrivals had been on the road since 2006 and 2009 and have been retained as back-ups and for lighter work.

Small and agile

Commenting on the ability to multi-drop deliveries down country lanes, HBS Fuels operations manager Steve Walker, said; "The Canter is well liked by our drivers. It's comfortable and easy to drive, not least because it's smaller and agile with an excellent turning circle. The vehicle's compact footprint and manoeuvrability are a big advantage in this part of the world."

HBS Fuels' new Canter can each carry up to 3,250 kg. "The Canter has the best payload on the market and with up to 38 bottles on board ours are invariably close to their maximum gross weight when they set off each morning," said Mr Walker. "You wouldn't get anything like that many bottles on the other makes of 7.5-tonne truck we've tried in the past."



Seeing double: operations manager Steve Walker, with HBS Fuels' latest FUSO Canter



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Fuel distribution industry responds to Covid-19

Much of the country is in lockdown, but the UK government has classed fuel and oil distribution as a key service that needs to continue.

With the importance of social distancing now playing a crucial role, fuel oil distributors are taking measures to ensure that distribution can continue in the safest way possible.

Nick Goodwin, managing director of Standard Fuel Oils, said; "The health and safety of our customers, employees and business partners remain our top priority and my thoughts go out to everyone who has been personally affected by this pandemic.

"It is difficult to assess what the long-term impact to our industry might be. Insolvencies are expected to rise by 25-30%, so it is vitally important to have a strong and robust credit management system in place.

"Oil prices are at record lows, and in the short term it is difficult to see them recovering whilst demand from markets such as retail and aviation remain suppressed. It is important to have patience and to draw from our past experiences. The economy and the industry will recover and thrive again I am sure."

Operating but minimising contact

Following guidance from the UK and Scottish governments and the World Health Organisation as well as advice from industry bodies such as UKIFDA, Gleaner, in Scotland, has put steps in place to protect both employees and customers.

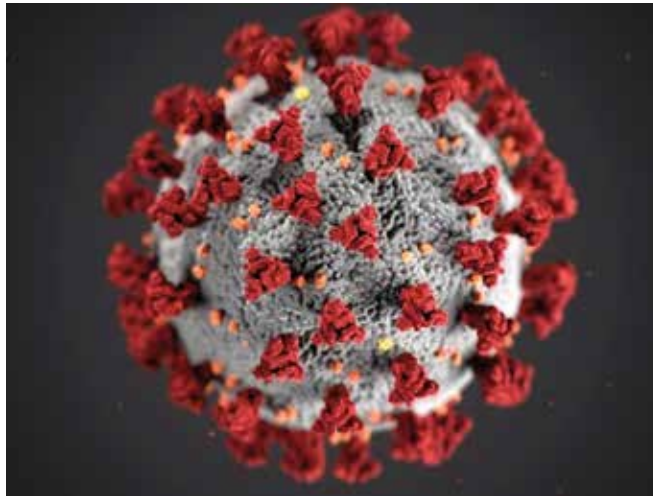
These include not handing over hand-held devices for customer signatures upon delivery with drivers logging the account holder name instead. Hand washing facilities are available within stores with disposable gloves provided for fuel pump operations and contactless payments being promoted.

Berkshire-based Marsh Fuels announced recently that although its offices are closed to non-staff, it is still operating behind the scenes with drivers continuing to make deliveries, wearing their usual protective gear. The company has asked customers to only greet drivers from afar to adhere to social distancing advice.

No need to panic buy

With the initial surge in demand following lockdown leading to increased delivery windows many fuel distributors found themselves having to deter potential panic buyers.

Star Multifuels in Wales, took to LinkedIn to reassure customers that they should not place orders in a panic with oil deliveries continuing as normal. The company also announced extended opening hours enabling customers to order over a longer period.



Prioritising those with specific needs

Carrie Marsh, owner of Marsh Fuels, is also urging customers not to panic buy, stating that deliveries will be made to existing customers as well as new customers whose normal supplier may have closed the door on new orders. With oil in such high demand, Carrie says; "We prioritise our more senior customers that we know of in our village and anyone with specific challenges."

Even in such trying times, Carrie remains positive; "Our company has seen two world wars and got to this point, so I know our staff will, as ever, pull together and get us through this stage in history in the same way."

Mark Nolan, managing director and owner of Nolan Oils commented; "Our dedicated team of drivers continue to deliver fuel whilst following social distancing rules. We are lucky in that we've been able to help customers who have been let down by their original suppliers or buying groups, who cannot deliver during this time."

High demand

Craggs Energy Group is also continuing to experience high demand across most areas of the business. Ben Duckworth, director, elaborated; "The commercial business has not disappeared like we may have expected and with the exception of the 'non-emergency' domestic tank installation the whole Craggs Energy team remain very busy!"

Online distributors are also seeing increased demand with Chris Bicknell, managing director of HomeFuels Direct, noting; "Sales for February and March were significantly higher compared to the previous year. The effect of Saudi Arabia initiating a price war with Russia was a fall in the price of heating oil, causing an initial surge of orders for February. Following that, the impact of Covid-19 and a UK wide lockdown triggered many households to fill up on heating oil, leading to increased delivery windows.

"Overall, we have found the sector to be extremely resilient and proactive in order to meet the high demands expected from the heating oil consumer market."

Trade bodies in full support

Chief executive of UKIFDA Guy Pulham praised the hard work of members in meeting the challenges and echoed the appeal to avoid panic buying; "We would like to reassure consumers of liquid fuel that as suppliers of essential heating oil and transport fuels, our UKIFDA full members are included in the key worker definition.

"Their core staff continue to work very hard in the face of unprecedented demand – there really is no need for panic buying. It would be in the interests of your local community for consumers to follow this advice."

David Blevings, spokesperson for NIOF said, "During this challenging period oil deliveries are continuing as normal. Oil distributors and their employees are deemed key workers and service is continuing as normal. Due to the high demand consumers may experience a short delay but rest assured, the industry is working flat out to meet demand".

Continued on page 9

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Continued from page 7

Supply chains remain strong

A sustained or higher demand is one that is being felt right across the UK but Kevin McPartlan, CEO of the Irish Petroleum Industry Association, moved to reassure consumers that there will be no interruption in the supply of petrol, diesel and home-heating oil in Ireland. “The way we operate has to change to protect our staff and our customers but the products we supply will remain available throughout. We will continue providing essential services: heating Ireland’s homes, fuelling businesses and keeping transport on the move. We are asking everyone to follow the advice from the HSE and relevant authorities.”

He expects that in the next couple of months, the biggest challenges for the oil industry will be “firstly, to protect our own people, our staff, and the consumers and secondly, to maintain supply in order to be able to provide oil to all these people who are staying at home”.

Refineries, as providers of essential fuel, have revealed how they are continuing to operate through the challenges of the coronavirus outbreak.

Speaking late April UKPIA director-general Stephen Marcos Jones, said, “From the outset of the pandemic, UKPIA and our members have worked closely with UK government and other stakeholders to ensure an uninterrupted supply of fuel to those who need it, including the emergency services and essential workers vital to tackling this health crisis.

With an unparalleled global fall in demand for petroleum products, maintaining supply logistics and adjusting that supply to reflect considerable changes in product demand has been a significant challenge, but individual companies have worked tirelessly to make sure that the fuels which are needed are being delivered to those who need them. While lockdown looks likely to continue for a while yet, posing acute short- and medium-term challenges to business operations, companies are also having to consider the long-term repercussions that COVID-19 will have on our sector. As plans are put in place to ease lockdown restrictions and demand begins to increase, some companies are already turning their thoughts to the different challenges that recovery will bring and understanding whether demand patterns or work practices will be very different from before the crisis.”

Refineries adapting safely

Darren Cunningham, Humber Refinery general manager and UK lead for Phillips 66, said; “The

Humber Refinery recognises its important role in supplying fuels to keep the country moving in this unprecedented and difficult time and will continue to monitor developments, remaining flexible in adapting to fulfil this role.

“The wellbeing of our staff and the safe operations of the refinery are our top priorities and our business continuity plan has been activated to help us achieve this.

A spokesperson for Total Lindsey Oil Refinery said; “To cope with the current situation, Total Lindsey Oil Refinery has implemented new operating rules, in line with the recommendations of the health authorities and the directives of the local authorities and government.

Petroineos is keeping customers fully informed as a spokesperson explained; “We are having to change to meet the lower demand environment but have done so safely and successfully. We are running, intend to keep manufacturing, meeting whatever demand is in the market. A weekly update is sent out to every one of our customers each Friday which seems to be well received. We are also keeping them well apprised with regard to product availability, operating hours, etc. as we understand the importance of keeping our customers up to speed at this difficult time.”

Adaptation key at every link in the chain

Harvest Energy has adapted well to the challenges posed by the current climate as sales director Stephen Rhodes explains; “The Team has performed really well and we are very much operating our business as usual, taking into account the change in demand especially impacting our retail forecourts and some of our commercial customers.

“Against this, we have experienced a surge in demand for kerosene for domestic heating use over the past month – a combination of the lower oil price and families being based at home driving demand. We suspect this short-term demand is now beginning to reduce as the product has moved downstream to meet the end-consumer need. Gasoil has also held up well – with farmers being more active in terms of field preparation, given the much improved weather as compared to the wet winter months. Organisationally, communication has been excellent with lots of fixed and interactive calls in the weekly diary keeping everyone in contact.”

Protecting people is the priority

Throughout the supply chain there is a clear message that support and protection for both customers and employees are at the forefront.

This is clear in Abbey Logistics’ response to the COVID-19 pandemic with the company announcing that it will pay frontline employees a recognition payment at the end of the year, as an acknowledgement of its staff’s hard work and commitment during this time.

Abbey Logistics’ CEO Steve Granite said “Our teams are working around the clock to ensure products are produced and on the shelves. We want to acknowledge the dedication and commitment they are showing and reassure them that if they need to self-isolate, they will be supported while they stay at home and recover.”

The scheme is aimed at drivers, wash bay, planning and workshop teams, whose roles are vital to the UK’s crucial supply chains.

Innovating to meet challenges

FTA is also doing its bit to aid social distancing. Keith Gray, general manager of training, audits and standards at FTA comments; “To help logistics businesses keep their operations running as smoothly as possible during this difficult time, we are pleased to launch e-OLAT, an online version of the Operator Licence Awareness Training Course, delivered through a Virtual Learning Environment (VLE).”

The e-OLAT will form one of six training courses now available to access online; FTA has suspended temporarily all face-to-face training events under government guidance.

An industry that will succeed

With the landscape changing day by day, more business disruption is anticipated, but for many fuel oil distributors it is business as usual, maintaining their part in the supply chain whilst also going above and beyond the industry’s already stringent safety rules.

As Stephen Marcos Jones, UKPIA commented; “Not only have downstream oil companies and their supply chains kept Britain moving during this crisis, but we’ve also seen them making donations of vital PPE to our NHS, free fuel and food schemes for critical healthcare staff and tens of thousands of pounds of donations to charities to support the most vulnerable. At a time when the whole country has come together to respond to this virus, the downstream oil sector has demonstrated its critical role when it has been needed most.”

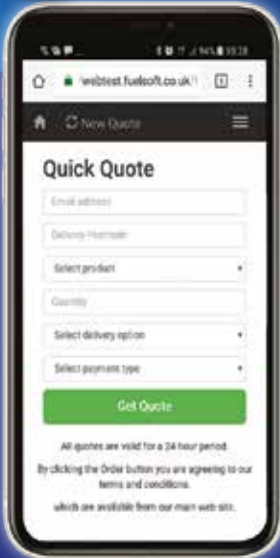
The ingenuity of the oil industry to overcome such challenges has been tested many times with it always proving more than a match. With the reassurances given and actions taken by the industry there is no reason not to believe it will succeed once again.

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James D Bilisland Ltd – taking the rainbows to the customers

With rainbows popping up in so many customers' windows Jodie Allan, assistant manager at James D Bilisland Ltd, was inspired to show appreciation for key workers as well as to take some smiles to their customers, by asking a sign writer to create some rainbows for the tankers.

Jodie explained; "I had the idea one night and my kids thought it was great, so I phoned the sign writer we use the next day. He had enough product to do the job, left them on his doorstep for us to collect and our guys put them on themselves.

"It was fun to encourage our customers to spot the rainbows and send us a picture, taken from a safe distance, of the vehicle doing the delivery. We have had some good feedback from customers and from our drivers' kids and one of the photos is Daniel Smith, the son of our driver Martin, who was so excited about having a picture with his dad's lorry with a rainbow"

Daniel Smith standing proudly by his dad's Bilisland lorry



Nicholl Fuel Oils noted for working tirelessly



A Nicholl delivery driver found an appreciative note attached to the oil tank

"It has been very challenging at times over the past few weeks but as a company we feel that whilst we are continuing to practice the recommended social distancing in all of our depots across northern Ireland, we have worked tirelessly

and successfully as a team to continue to supply our customers with their fuel. We have received an outstanding amount of messages via email and Facebook thanking our drivers and office staff for their hard work and commitment throughout this difficult period, with some even leaving thank you notes attached to their oil tanks for our drivers to find."

A Nicholl Fuel Oils spokesperson continued; "It is overwhelming to see the support across



Rainbows drawn by Mya and Zoe show Nicholl's support for key workers

credit controller Emma White for encouraging her two daughters, Mya (aged 11) and Zoe (aged 8), to draw us some beautiful pictures of rainbows in support of the NHS and all the key workers that pass our head office on their way to and from work. They have really brightened up our office.

We ask that you all continue to follow the guidelines set out by the WHO, government and the health agencies to keep us all safe and to all key workers, we are clapping for you!"

not only Northern Ireland but the entire UK for our key workers. For people who put themselves at risk to help others in need, it shows the true meaning of humanity. We would like to thank our

Gratitude for Kinch Fuels from key worker

Gratitude towards fuel oil suppliers who continue to deliver to customers has been experienced in many ways. Kinch Fuels received a recommendation from a customer thanking them from "the bottom of our hearts..." for delivering fuel to "a vulnerable lady" and her daughter, who is an NHS key worker.

Richard Kinch, manager of Kinch Fuel Oils, explained; "When the customer rang to place the order, we were experiencing some delays on deliveries. The customer explained that they were completely out of oil and we managed to speed up the delivery and help them out!"

Richard continues; "We are phenomenally busy but we are lucky to be able to carry on and help our customers. If we'd have had to go into lockdown as well, it could have badly affected many who rely on us. During this crisis the feedback, understanding and honest gratitude from customers has been incredible."



Proudly displayed in Benzie's Gleaner vehicle

Gleaner driver proud to display rainbow

Gleaner have also been at the receiving end of handmade gifts when out delivering.

Children of the Sims' family drew a picture for driver Ian Mackenzie, whose nickname is Benzie, when he was out delivering kerosene to the family. It is now proudly on display within his vehicle and highlights the appreciation of customers for distributors.

Craggs Energy Group driver inspired by customers' rainbows

Lee Westwell, a driver for Craggs, was on the road in Rathmell, North Yorkshire, fulfilling a steady stream of orders when he had the pleasure of seeing a rainbow light up the sky ahead. "With everything that's going on I've noticed a lot of rainbows in peoples' windows as I'm passing. I thought getting a photo of the tanker in Rathmell under a rainbow would be lovely for everyone to see!"



The stunning image captured by Craggs driver, Lee Westwell

Positive outlook for liquid fuels exhibition UKIFDA EXPO 2020



Now that Easter is behind us, the team at UKIFDA continue to work to make EXPO 2020 something positive for the industry to look forward to provided the situation and government guidance allow.

With many scheduled industry exhibitions for 2020 being cancelled due to COVID 19, UKIFDA took the decision back in March to move from the original dates in June to the new dates of 18 & 19 August 2020 at the Exhibition Centre Liverpool.

Now, with 4 months to go UKIFDA has already sold nearly 70% of the available floor space and is getting enquiries from new exhibitors each week.

“Getting the right balance between actively selling and promoting the event whilst being mindful of the daily briefing and numbers is difficult and a bigger drive on EXPO will begin once a positive lockdown exit strategy is known.” Dawn Shakespeare, membership and events manager for UKIFDA, and organiser of the exhibition, explains.

Despite these challenges UKIFDA has confirmed an impressive list of exhibitors who will be attending in August including Greenergy, Navigator Terminals, Harvest Energy, Filtration Controls, Road Tanker Spares, Nursan Trailers & Tecelamit, Adler and Allan, Dixon Europe, Fuelsoft, Petroineos and Touchstar to name but a few.

An opportunity to celebrate

Guy Pulham, UKIFDA chief executive, says; “We’re excited for UKIFDA EXPO 2020 to happen in August and we are being positive about the exhibition taking place in Liverpool for the final time before we move to Glasgow in 2021. With the sacrifices everyone is making now in the lockdown and with the social distancing measures, we hope that by August 2020 the country will be on the journey to some semblance of normality and the exhibition will be a great way to kickstart the industry again. Of course, our actions and plans will be dictated by government guidance and legislation”



“Many of our members and their suppliers have been working extremely hard during the last month making essential fuel deliveries to households, farmers, the construction industry and industrial units so having UKIFDA EXPO 2020 will be a great way of celebrating all the hard work the industry has undertaken during this difficult time.”

“UKIFDA EXPO 2020 also marks the exhibition’s 40th anniversary. We will be welcoming old friends and new industry colleagues, looking at where we have come from and celebrating the fact that 2020 marks a new era for the liquid fuels industry, as we move to a carbon neutral future with the development of liquid biofuels. The exhibition will be reflective of the changing nature of our industry”

This year’s 40th anniversary exhibition is expected to attract over 1,500 delegates who will also hear from an impressive line-up of speakers. UKIFDA EXPO 2020’s seminars will



cover important topics including sustainable energy in domestic heating, biofuels and Transport Decarbonisation Strategy, across the two days and full details of the speakers confirmed for August will be announced in the next few weeks.

Dawn comments; “Every year, our exhibition appeals widely across the industry, attracting owners of fuel distributors, depot managers, and personnel within HR, IT, finance and marketing, all operating across the manufacturing, distribution, supply, and technology sectors of the industry in the UK and across Europe – and this year is no exception. We know that August is not ideal due to potential holidays, but we hope that people can tweak their schedules and join the industry in what, hopefully, will be a celebratory atmosphere.”

For more information on UKIFDA EXPO 2020 or to book your exhibition space, you can contact Dawn Shakespeare, UKIFDA membership and events manager, by email ds@ukifda.org or alternatively visit the show website <https://ukifda.org/ukifda-expo/>

With the world as we know it in turmoil and the UKIFDA EXPO, one of the biggest events in the fuel oil calendar, postponed until August, Aine Faherty our Irish correspondent, caught up with UKIFDA Irish representative Nick Hayes to ask him how industry players are coping and what we can expect from the industry as we look ahead.

In such unprecedented times, oil fuel industry members have adapted well, according to Nick Hayes, Irish representative for UKIFDA. "They have been working incredibly hard as demand for heating oil rose rapidly when Ireland went into lockdown". Coming hot on the heels of the usual high winter demand this also coincided with an increased demand for green diesel as the farming community began the intensive work of spring having been delayed by the bad weather of February and the early part of March.

"When lockdown came members swiftly changed processes and protocol in order to meet government COVID-19 guidelines including staff segregation, remote working systems, basing drivers at major terminal locations rather than the depot and cab sanitisation." Nick reports. "All this whilst trying to answer 4 or 5 times the normal level of calls for March and April with declining staff and driver numbers due to the virus."

Describing the challenges faced Nick continued; "Being based at major terminal locations aids deliveries straight from refineries but due to the unprecedented demand, tanker drivers were experiencing queuing and long waits when collecting fuel. This added to the already increasing overheads for many members, but these measures were all necessary to meet the growing demand from consumers and ensure our Members could prioritise the elderly and most vulnerable."

The situation has been changing almost daily and UKIFDA has supported members across Ireland as well as liaising with the Irish government and the Irish Petroleum Industry Association (IPIA).

Communication and representation

"We have been in constant contact with members, issuing updates via our membercomms emails," Nick explains. "These covered everything from advice to consumers, information on government directives and updates to members on significant changes such as a relaxation of drivers' hours

regulations from the Road Safety Authority (RSA) in Ireland. The latter was essential in helping members meet the unprecedented demand for liquid fuels although we also recognised that there are limitations to the relaxation of working time directives."

With various restrictions in place, UKIFDA has continued to liaise with other relevant bodies and, as the UKIFDA Irish representative, Nick worked closely with the Health and Safety Authority (HSA) to agree an extension to the end of November on ADR licences which expire over the next 6 months.

As the warmer weather kicks in, the demand for heating oil will decrease but many members will still be supplying farms with green diesel. Businesses have expressed concerns over the significantly decreased demand from both the industrial sector and road fuels and UKIFDA is monitoring the situation as well as offering members advice on government assistance including business grants.

"FORWARD THINKING MEMBERS CAN HELP SHAPE THE FUTURE OF OUR INDUSTRY,"

A role to play in shaping the future

Looking ahead to the time when the current crisis inevitably subsides Nick suggests that there may be an initial surge in demand for diesel as the commercial / industrial sectors reawaken and those involved in retail may also see increased demand for deliveries. In the medium to long term, he sees the ongoing development of liquid biofuels gathering pace and as the industry transitions towards a carbon neutral future, UKIFDA believes there will be opportunities for businesses to diversify.

"Forward thinking members can help shape the future of our industry," Nick suggests. "The government talks about our heating industry retaining its position as a world leader and with research and development incentives



we believe we can help to lead the change. As an industry we are committed to working with the government to find a way of meeting their carbon reduction targets as well as creating a future for our members."

Announcements made in the 2019 budget in Ireland of a €6 increase in carbon tax on heating oil and gas oil to come into effect in May this year, led to UKIFDA lobbying Finance Minister Paschal Donohoe. Urging government to delay the implementation, UKIFDA explained how this would not only affect households badly affected by COVID 19 but also the farming community. At time of writing it awaits his response.

In setting a route to carbon reduction targets UKIFDA strongly believes the government needs to maintain a technology-neutral approach to encourage all industries to seek solutions. Nick emphasises the point; "Different solutions will suit different homes and budgets and policy must be focussed on ensuring that heating systems are appropriate to a property's heating requirements while clearly demonstrating both carbon abatements and strong particle emission controls."

Looking forward to emerging from the restrictions of the current lockdown Nick is feeling positive about this year's EXPO taking place in the Exhibition Centre Liverpool on August 18th & 19th.

"It has a fantastic line up of speakers showcasing the industry's hard work regarding plans to meet the government's carbon emission targets through the introduction of biofuels." Nick enthuses.

"It will be a fantastic way to celebrate getting through this awful time and we look forward to seeing some old and new friends there."



WP Group's growing team is committed to fuelling change with tailored initiatives designed to help customers achieve their business goals

WP Group – fuelling change to stay ahead

With a focus on fuelling change amidst the energy transition, WP Group has proven time and again that it is ahead of the curve. To see how this ethos has developed over time, we first take a look back with David Fairchild.

Some 10 years ago, David Fairchild, then managing director of the WP Group, declared; “the time is right to deliver more than just fuel.”

Speaking to Fuel Oil News for an article published in the March 2011 issue, David said; “The WP Group has evolved from its regional roots to an independent group looking to the future with a more defined offering and even stronger customer focus. I believe this stance in the market will command respect.”

Respect for David is something which Darren Borrás, now Moove Fuels – business unit director (WP Group and Airport Energy), was keen to share with Jane Raphael, former editor of Fuel Oil News, and content editor,

Stephanie Samuel, on a visit to WP Group's new premises in Southampton earlier this year.

“Time has proved that David's decision was visionary,” explained Darren who praised the former MD, for not only focusing on the future, but also for his excellent skills in networking with the industry and customers alike which has served the business well.

“Only very occasionally do you meet a real kindred spirit. In David I found someone who was open to new ideas and willing to back me to take the business forward. I can genuinely say that meeting David was the best moment in my career. For example, when I first suggested a name change, rebranding and new proposition for the business, David's response was; ‘Brilliant, let's do it!’ Naturally entrepreneurial and enthusiastic, David is a true leader who richly deserves his success and reputation,” added Darren.



Flashes of brilliance

“Over the years the fuel industry has sometimes been viewed as being rather static and reluctant to change,” added Jane Raphael who enjoyed 21 years of interesting and informative conversations with David.

“I would also like to say thanks to David and others who have helped spearhead the industry's evolution into the highly professional and forward-looking industry that we have today.”

An aesthetic evolution

Acquired by Moove Europe in 2017, WP Group's focus is now dedicated to fuel with Mobil lubricants now marketed by the Moove UK business, but the office, with its white walls, floor-to-ceiling glass panels and large screens displaying real-time market information and business performance data is very different to the usual perception of a traditional fuel distribution depot.

Asked about recent changes to the company, Darren said; "Our new value proposition is about 'fuelling change' and proactively embracing new thinking and transitions in the market with a customer-led focus."

With the pressure on the fuel oil industry to become cleaner, greener and more sustainable, WP Group's shift in aesthetics from a 'dirty oil' image to a clean, crisp, corporate backdrop seems well ahead of its time – something that continues the forward-thinking of WP Group's previous changes.

The right thing to do

During Fuel Oil News' conversation with Darren, it was abundantly clear that the company is very much 'customer-led' and that providing solutions for their customers is at the heart of all decisions – one example being the addition of HVO to WP Group's product portfolio.

Considering the business in the present day, Darren observed; "WP Group is recognised as an expert in fuels with a clear focus on providing outstanding service, and that attracts a different type of customer."

"We saw the opportunity to market HVO and took it because it is a direct alternative to diesel and we wanted to offer the best range

of supply options to our customers," explained Darren. "We wanted to embrace alternative fuels rather than waiting for the demand to stimulate supply, which just isn't there yet."

When asked about the lack of demand, Darren explained; "Even though our clients tend to have strong corporate social responsibility policies in place, there is no mandatory legislation to enforce the use of alternative fuels yet. The price is also higher, and without subsidies in place to support those who would like to use alternative fuels, the demand as we expect still isn't there. However, having a more sustainable alternative to offer is simply the right thing to do"

And, of course, as demand for alternative fuels grows, WP Group will once again, be ready.

"We aim to significantly reduce our own emissions, improve our fuel economy and ultimately have our fleet running at net-zero in the future. It's vital we continue to lead by example and share in our customers' challenges. As companies increasingly commit to improving fuel efficiency, reducing emissions and achieving net-zero too, WP Group will commit to using products such as Esso Diesel Efficient, HVO and other advanced fuels in its fleet to help support our customers with this transition."

Developing for the future

WP Group's key markets include construction, fleets, airports, ports & marine, agriculture and energy & power.

"Our key markets have also changed slightly, which is reflected on our website," said Darren, referencing WP Group's new website which was launched at the start of the year.

"We've invested a lot of time in understanding our customers priorities together with the changing needs and focus of wider industry." Darren continued; "By 'Fuelling Change', we want to provide our customers with a suite of services and solutions that address industry challenges and improve business efficiency while delivering on their sustainability commitments.

"A priority of ours is to be more productive and to advance further with technologies. Delivering the right quantity of fuel in less journeys therefore reducing miles and having clients that trust us to manage their refuelling and billing digitally – these are ways in which we can simplify and improve the daily business activity" says Darren.

As Jane and Stephanie were shown around the office, the young and enthusiastic staff served to emphasise how WP Group has evolved, suggesting that embracing the energy transition may be helping the industry to attract the next generation.

Shared values

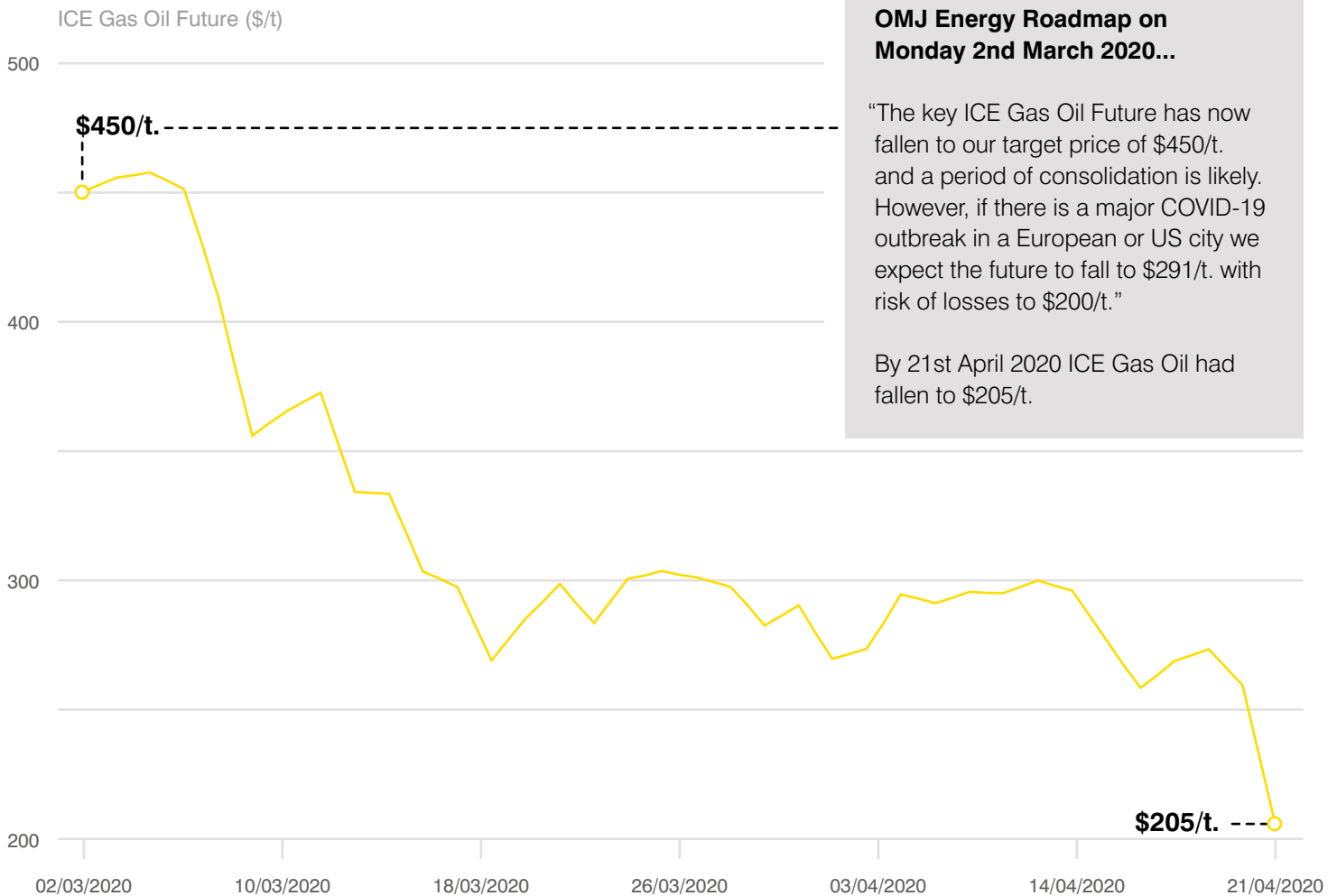
"People are our business – our employees will always be the focus and centre to our company. We hold our team members in the highest regards. In order to continually drive up the standards and customer service we need people who will not only uphold the company's values and attitudes but drive us on to new levels of engagement and cohesion – this is a key focus for fuels and all Moove businesses."

Fuel Oil News looks forward to following the future growth and success of the WP Group business, as it continues to offer the best combination of technology, product and service solutions to its customers.



From left to right,
John Cubbin – People & Culture Business Partner
Mark Clouter – Business Development Sales Manager
Dan Hedges – Group Financial Controller
Melanie Noel – Sales Manager
Darren Borrás – Business Unit Director

On 2nd March 2020 OMJ warned of pending large fall in oil prices...





PORTLAND MARKET REPORT

THIS IS A TIME OF UNPRECEDENTED
EVENTS, SO PERHAPS IT WAS NOT
TOO SURPRISING THAT OPEC AGREED
TO CUT SO MUCH PRODUCTION AND
FOR SO LONG

May update

Writing this Oil Market Report can be a difficult task, particularly in those months where nothing actually of interest happens on the oil markets. But April 2020 wasn't one of those months. In fact, this edition of the Oil Market Report could have probably been compiled based on events on any single day in April – such was the turmoil, volatility and magnitude of affairs, in a month that perhaps appropriately starts with knaves and fools playing fast and loose with the truth...

At the beginning of the month, prices were already languishing below \$30 per barrel, as the devastating combination of an OPEC price war and the coronavirus each took their grip. Having declared on April 1st that low oil prices were a welcome tax cut for US consumers, President Trump took a sharp change of direction 1 day later, when Senators from Texas, Pennsylvania and Ohio (all key states in Trump's re-election bid) reminded the President that about 1m oil workers were about to lose their jobs. So Trump did what he does well, which is announcing "truths" unilaterally and making them sound very convincing!

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"Will be an oil deal between Saudi and Russia. Production cuts of 15m barrels per day", declared Trump on Twitter on the 2nd April. The fact that no-such deal had been agreed between Saudi Arabia and Russia and further, that neither country was (at that stage) even in talks, was initially of no import,

such is the febrile nature of current oil markets. In the space of 1 hour, oil prices rose by an unprecedented \$8 per barrel (that's about 5 pence per litre) and within the space of the next hour, prices had soon fallen by about \$5 per barrel. This, as the market digested the actual reality of the so-called deal, ie, there was none...

However, like a good poker player, President Trump was now banking on the fact that the continued and vertiginous drops in the oil price would force OPEC members and Russia back to the table. Back in February, a production cut of only 2m barrels per day (bpd) had caused such disagreement within OPEC, that a total breakdown of the cartel had resulted. But now only 2 months later, oil prices had dropped so quickly that the very existence of the global oil industry was now under threat. So it was, that over the Easter Weekend, OPEC+ oil ministers got together via Zoom (what else!?) and a 10m bpd production cut was agreed. Furthermore, there was also to be a "commitment" from G20 Countries (spearheaded by the International Energy Agency) that they would seek to cut their production by a further 4m bpd.

This is a time of unprecedented events, so perhaps it was not too surprising that OPEC agreed to cut so much production and for so long (basically until 2022, although the level of cuts do steadily diminish over the 2 year period). All the same, there is a certain schadenfreude around the fact that having fallen out so spectacularly over a 2m bpd cut back in February, OPEC and Russia managed over a video conference, to accommodate a production cut five times as large! But that wasn't all. It was also unprecedented that G20 countries were now effectively signing up to join the world's largest oil cartel, and within that, the USA – who only last year were pushing to have the NOPEC congressional bill reinstated – were now pushing for "gas"(oline) prices at the pump to rise. Strange times indeed...

Yet in the second half of April oil prices still tanked, culminating in the futures price for WTI hitting the absurd level of minus \$37 per barrel on 20th April! The first obvious reason

for these continued drops in price was that the new production cuts did not come into force until May 1st, meaning that the April surplus continued throughout the month. In fact, there was good evidence to suggest that the situation was exacerbated by oil producers desperately trying to maximise production before the quotas hit. Secondly, whilst OPEC may have the tools to limit production (because their oil companies are state owned), the idea that independent commercial operators within G20 nations could be reined in overnight was fanciful to say the least. Business owners and shareholders might have something to say on that matter!?

**YET IN THE SECOND
HALF OF APRIL OIL
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HITTING THE ABSURD
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BARREL ON 20TH APRIL!**

But easily the biggest reason that prices kept falling in April was because demand for oil had been so totally and utterly obliterated. It is estimated that demand for oil in April fell by a whopping 30m bpd and May is likely to see a similar reduction. In that light, no level of production cuts will stop oil prices falling and only the recovery of demand will put an end to the price rout. When that will be, is dependent on when the effects of this awful virus dissipate, and the world economy can start to revert to normal.

For more pricing
information, see
page 22

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

Oil prices in review

THE SENSATIONAL AND UNPRECEDENTED NEGATIVE PRICE FOR MAY WTI FUTURES WAS AN ANOMALY DUE TO US PRODUCTION AND US STORAGE ISSUES BUT IT WILL HAVE WIDER IMPACTS FOR AS LONG AS THEY CONTINUE AND WAS ALSO A SYMPTOM OF UNDERLYING ISSUES THAT THE INDUSTRY MUST ADDRESS. WE LOOK AT THE WIDER PRICING PICTURE.

A rebalancing of supply and demand

Ian Moore, director of the Oil Market Journal, gives some insight; “Oil prices are in free fall as the market tries to force a rebalancing of supply and demand. The storage crisis which is now being played out was inevitable after the combined effects of the failure of OPEC and Russia to agree cuts on 6th March as well as widespread COVID lockdowns taking effect resulting in oil demand down to about 70m bpd from 100m bpd. The cuts from 1st May agreed over the Easter weekend, will shift things in the right direction but still leave a Q2 2020 oversupply of around 20m bpd.

“The latest data (15th April) indicates “US Total Oil Demand” down around 6,000 million bpd (-30%) from before the COVID crisis spread to the US. And the fall in demand in the US is replicated across the world.

Even late March, the OMJ daily report was already anticipating the current issues stating: ‘In the near term we expect things to get rather messy in April and May as storage fills. Oil analysts continue to warn that global oil storage tanks will be full by mid-May.’

And by early April: ‘Our expected scenario is full global oil tanks in late April and into May which would result in a very “hard landing for oil.” A forecast which certainly played out in the spectacular and historic lows seen at time of writing

Asked about the likely outlook Ian replied, “We expect demand to rebound in late May and June as the lockdown is lifted across the US and Europe. However, demand during the summer will likely level off much lower than normal.

“Global oil stocks will remain high through 2020 and it is likely crude prices will remain below \$45 during 2020 and well into 2021. We also expect some important demand sectors such as aviation to take years to recover resulting in low cost heating oil for UK and Ireland consumers over the next few years. “

Aberdeen-based Derek Leith, EY’s global lead for oil and gas tax, comments; “The West Texas Intermediate (WTI) price drop is not reflective of the oil and gas industry worldwide but is very specifically driven by the

production and demand imbalance in the US. The headline-grabbing negative oil price was driven by a relatively small number of May contracts held by financial traders having to be sold before they expired, and the sellers finding there were absolutely no buyers.

“While WTI prices won’t directly impact on the UKCS, this is a stark reminder of oil price volatility, and that smaller UKCS producers may find it very hard to sell their crude at the prevailing market rate. There is likely to be a renewed focus and rigour on decreasing operational costs, particularly for smaller players. The companies which respond quickly, are agile and carefully strategic are likely to emerge in a better position in the medium and long-term.”

An unprecedented oil market

“We are faced with an unprecedented oil market where the factors affecting price are beyond anyone’s control,” comments Basil Shrourou, founder of Fuel Prices Online. “What began as a three-way output spat between Russia, Saudi and the shale oil producers in US was quickly overshadowed by the catastrophic impact on demand of the coronavirus resulting in a price in freefall and cargoes reportedly almost ‘given away’ as storage reached capacity and no-one was inclined to buy”

Asked about the likely future direction Basil stressed that there is very little action anyone can take with future pricing dependent on the containment of Covid-19 as the first OPEC+ cut seems to have had very little impact on the market. “Based purely on previous experience, if we don’t hear some good news on the virus and economy soon, we will see international facilities shutting down and cessation of imports. With a reported 75% drop in forecourt sales as a result of the lockdown, there is no point producing some product that cannot be sold or stored.”

However, Basil is hopeful that we are approaching the bottom. “Once there is positive news, we will see demand begin to lift again. With kerosene at approximately 9ppl (Platts calculated PPL) at time of writing and the spot real time, as I am looking at my FPO App, it is

trading even lower than the 8ppl level we saw in 96/97 when the Pound £ exchange rate was at approximately \$2 US Dollars. This is creating a real dilemma for distributors considering buying long term but concerned about storage”

With UK ‘heating oil’ prices down more than 57%, is it time to fill the tank?

While the UK and the rest of the world get their benchmark from Brent Crude Oil this is also down to less than \$21 per barrel. At its highest point in 2020, it was trading at \$71.25.

For people on oil-fired heating, this is already having a massive effect on their prices but more could follow. OGUK boss Deirdre Michie commented; “The dynamics of this US market are different from those directly driving UK produced Brent, but we will not escape the impact.

“Although production levels have been reduced drastically, it is still not enough to offset the fall in demand, which is at the lowest levels in 25 years. A recent report from The IEA warned markets to brace for an unprecedented lack in demand, that will reach levels not experienced since 1995.

While there is still the potential for the price to decrease some countries are starting to relax lockdown measures, this could lead to an uptake in demand and cause oil markets to begin to recover.

“It would be advisable for people with oil central heating to at least consider filling the tank while prices are still low.”

Sustained increase in orders

Through this period of ‘change and turmoil’, Rob Maynard, CFO Boilerjuice, has also seen significant impacts on the heating oil supply chain.

“There has been a significant and sustained increase in people searching online for heating oil since the middle of March, with an initial period of slightly panicky buying as people spent more time at home followed by customers stocking up at the lowest prices seen for a very long time.

“We’ve experienced a record number of online quotes and orders through the

BoilerJuice platform, peaking at around 6million litres a day. During this time, our priority has been working with our amazing suppliers to manage customers' expectations while the supply chain was stretched and prioritising deliveries for vulnerable customers. Our suppliers have been resolute throughout, working around the clock to manage huge order volumes (approx. 3x higher than we would expect at this time of year).

Rob also comments on the appeal of stocking up at current prices; "Prices continued to fall through April as global oil prices fell to record lows and many of our customers have enjoyed significant savings, with average prices dropping to pretty much half of what they were 12 months ago. Demand remains very high with customers sensibly stocking up at exceptionally low prices."

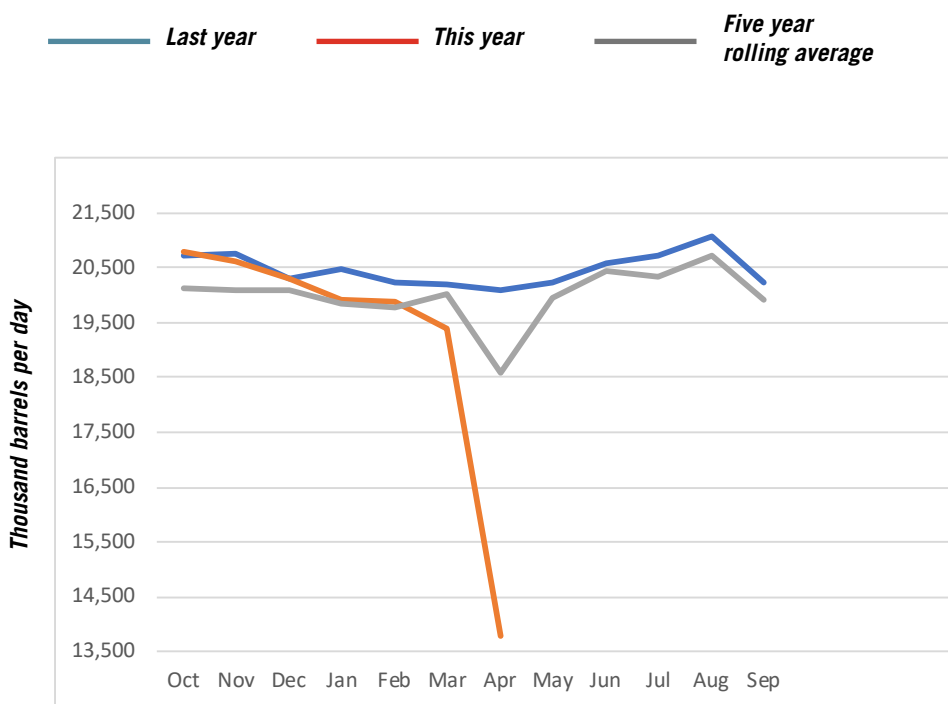
Free oil? Not today

Mark Waddington, Channoil Consulting, addresses the impact on fuel prices in the UK of WTI Futures trading at negative prices.

"The WTI futures contract is an important global crude oil benchmark but its price is based on market value for delivery at an inland terminal at Cushing, Oklahoma, USA, one of the main storage hubs in US crude oil export. The recent demand collapse has left it practically full but that alone is not enough to explain why the benchmark price went negative.

"It is also important to understand who uses oil futures contracts. These are oil producers who sell forward on futures market to secure a selling price for their oil production, consumers of oil, such as refiners, airlines, trucking companies, and others, who buy ahead on futures markets to guarantee the price of the oil they are buying; and finally, investment funds and speculators in the financial sector,

U.S. product supplied of crude oil and petroleum products thousand barrels per day



Source: U.S. Energy Information Administration and OMI

who want to invest in a commodity asset class.

Mark goes on to explain the negative price; "It is largely a technical thing: speculators who bought futures contracts for delivery in May found themselves holding something that no-one wanted and were then looking to close out their financial exposure by selling them back. Since there were no buyers for these long positions the speculators were at a disadvantage and had to sell at a huge loss. The parties on the other side of the deal are most likely to be crude oil producers who had

sold forward.

"It is unlikely that any oil has changed hands at negative prices. If anything, the oil producers will have taken extra profit from their hedging. None of these extremes has any real bearing on the pump price or the delivered price of fuel, even though those prices are much lower today because of the general collapse in oil prices."

As Mark concludes; "It would be unwise for customers to expect suppliers to deliver free of charge at any point soon."



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Future heating – kerosene demand scenarios

THERE REMAINS MUCH UNCERTAINTY AROUND THE FUTURE PROSPECTS FOR THE ROLE OF LIQUID HEATING FUEL IN HELPING TO ADDRESS THE UK'S DECARBONISATION 'CHALLENGE'. SINCE LEGISLATION MAY NOT BE PUT IN PLACE FOR SOME TIME TO COME, WE LOOK BELOW AT POTENTIAL FUTURE DEMAND SCENARIOS FOR THE USE OF KEROSENE IN HEATING.

Past perspective revisited

Seven years ago in 2013, 'Inside Out' considered a range of future demand scenarios for the use of kerosene as a heating fuel in the UK, updating these three years later in 2016, in the light of trends and developments in the intervening period. Since 2020 was the 'end point' of those forecasts, it seems timely to revisit the scenarios to see how they measure up against where we are now.

2016 demand scenarios

The 'best' case assumed an average 1% pa reduction in consumption, largely driven by improved boiler efficiencies and better building insulation with a resultant projected 2020 demand level of 2.38 billion litres (1.90 million mt).

The 'average' case, in addition to the above factors, also assumed a measure of attrition of existing heating oil outlets in the face of governmental efforts/initiatives to promote renewable sources, effecting a 3% pa decline in consumption and a resultant projected 2020 demand level of 2.15 billion litres (1.72 million mt).

The 'worst' case was built on the previous case but assuming a more aggressive governmental pursuit of its 2020 goal for adoption of renewable heating sources, with the projected outcome being a 25% demand reduction by 2020 to a market of 1.88 billion litres (1.50 million mt).

Demand evolution

The table below indicates how the actual demand for kerosene for heating has evolved since the 2016 forecasts. (000 Tonnes)

Year	2015	2016	2017	2018	2019 (Prov.)
Demand	1,921	1,939	1,886	1,869	1,875

Source: Dept. for Business, Energy & Industrial Strategy- Petroleum Products, Commodity Balances (Dukes).

As indicated, the overall market has remained remarkably stable since the demand scenarios were developed four years ago, so that the actual outturn for 2020 will approximate most closely to the 'best' case scenario.

Looking ahead to 2025

Given that the level of uncertainty is likely to rise significantly over time, the demand scenarios outlined below take 2025 as a manageable horizon for projection.

Three factors in particular, will have a critical bearing on the future

trajectory of the consumption of heating oil which is currently used by around 1.5 million homes and 200,000 – 250,000 rural businesses:

1. Government policy on future heating in buildings

A policy statement published last year 'plans to consult on regulatory options to phase out the installation of fossil fuel heating systems in off gas grid buildings' and 'to explore and test the different approaches to heat decarbonisation, for buildings on and off the gas grid, particularly looking at the role of heat networks, heat pumps, hydrogen and biogas'.

2. The UKPIA 'Future Vision'

Unveiled in July last year, this makes two unequivocal statements about cessation of supply of heating oil for properties off the gas grid in 'the 2020s'.

Under 'Options for decarbonisation' – phase out high carbon fossil fuel heating for new and existing buildings and housing off the gas grid during the 2020s

Under 'All scenarios' – use of liquid fuels for space heating falls to very low levels in the 2020s and is only retained for buildings (mostly historical) which are difficult to retro-fit. The liquid fuels to be replaced by other energy carriers, especially renewable electricity and green hydrogen.

3. OFTEC's 'An Industrial Strategy for decarbonising oil heated homes'

Published in November 2019, this research concluded that transition to a low carbon liquid fuel, B100 (100% biofuel), has the potential to deliver the highest carbon reduction impact of any off gas grid heating technology for the lowest overall cost over the lifetime of the appliance. As a result, the organisation proposes the phased introduction of sustainable low carbon liquid fuels:

- A 70:30 kerosene: biofuel blend by 2027
- A 100% sustainable low carbon liquid fuel by 2035

As things stand, neither government policy intentions nor the UKPIA 'Future Vision' appear to make any explicit consideration of a possible role for a sustainable, low carbon liquid fuel solution in the domestic heating sector. With this in mind, three alternative scenarios for the next five years are framed below.

Heating oil demand scenarios for the period 2020 to 2025

The 'best case' comprises two elements:

- Continued improvements in boiler efficiencies and building insulation standards and
- Government acceptance of a future role for low carbon liquid fuels

supported by acknowledgement by UKPIA members of a role for these fuels outside of the transport sector

This also assumes the availability of sufficient biofuels' production capacity (circa 500,000 mt/year, initially) and successful integration into the established heating oil supply chain with the obvious source being the existing refinery network, which currently produces around 2 million mt/year of heating kerosene. Total, La Mede biorefinery in southern France (a former oil refinery) provides a feasible 'template'. Retaining the same 1% pa reduction in consumption as in the 2016 projection results in a 2025 market of circa 1.78 million mt (2.22 billion litres) – down 100,000 mt (125 billion litres) from current level.

The 'average case' is a compromise

Pitched between the two extreme cases this assumes government acceptance of the role of low carbon liquid fuels as an 'interim' solution towards decarbonisation, mindful of the issues around cost, timing, etc, combined with the adoption of alternative, low carbon heating technologies by oil users.

This scenario foresees progressive phasing out of liquid fuels over the next 15 years, supported by, as in the above case, or aligned to UKPIA supply policy. On a straight-line reduction basis, this would take the market down to 1.25 million mt (1.56 billion litres) in 2025. In reality, the early years' decline might be more gradual, so a more realistic outlook may see a market nearer to 1.5 million mt (1.88 billion litres).

The 'worst case' assumes the 'nuclear' outcome

In the event the case for sustainable low carbon liquid fuels in heating is not accepted and UKPIA members discontinue supplying heating kerosene 'during the 2020s', as per the 'Future Vision', the heating oil market is projected to decline to zero by 2030, with a progressive acceleration in the rate of decrease after 2025 as attrition of existing heating oil outlets gathers pace. On this basis, the market in 2025 could fall somewhere in the 1-1.2 million mt (1.25-1.5 billion litres) range, followed by a further quickening in the pace of decline.

The above exercise is first and foremost, an attempt to formulate a range of possible 'outcomes', endeavouring to define the 'extremes' in the spectrum. The current government position does not give cause for optimism for the role of liquid heating fuel in helping to address the decarbonisation challenge, so a lot will hinge on the power and effectiveness of advocacy of those (UKIFDA & OFTEC in particular) promoting the case for sustainable low carbon liquid fuels in heating. The outcome of the consultation and ensuing decision (legislative) process may not be known for a year or more. So for now, it's a case of watch and wait!



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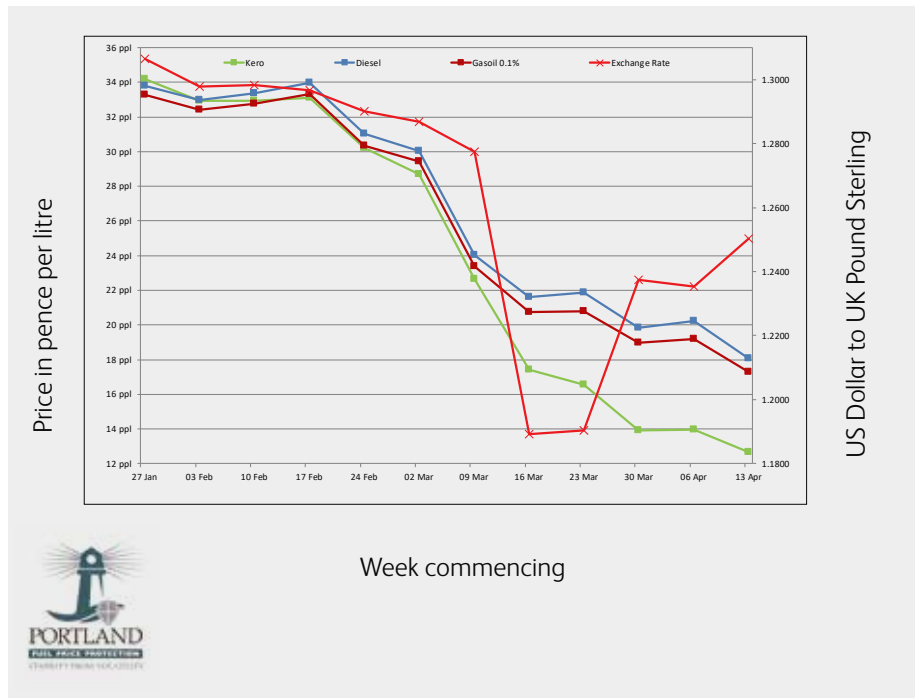
Contact Bruce Williams
on 07802 873303

Or by email:
bruce.j.williams@outlook.com

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

	Kerosene	Diesel	Gasoil 0.1%
Average price	14.63	20.23	19.29
Average daily change	0.83	0.80	0.79
Current duty	0.00	57.95	11.14
Total	14.63	78.18	30.34

All prices in pence per litre



Highest price
17.59 pp
Fri 20 Mar 20

Biggest up day
+1.73 ppl
Fri 03 Apr 20

Kerosene

Lowest price
11.59 ppl
Wed 15 Apr 20

Biggest down day
-1.72 ppl
Mon 23 Mar 20

Highest price
22.48 ppl
Wed 25 Mar 20

Biggest up day
+2.03 ppl
Fri 03 Apr 20

Diesel

Lowest price
16.69 ppl
Wed 15 Apr 20

Biggest down day
-1.56 ppl
Tue 14 Apr 20

Highest price
21.46 ppl
Wed 25 Mar 20

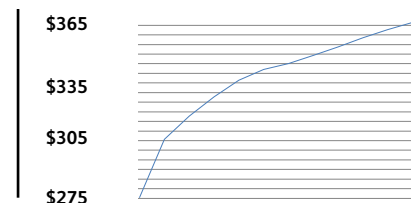
Biggest up day
+1.95 ppl
Fri 03 Apr 20

Gasoil 0.1%

Lowest price
16.00 ppl
Wed 15 Apr 20

Biggest down day
-1.40 ppl
Wed 01 Apr 20

Gasoil forward price
in US\$ per tonne



May 2020 – April 2021

The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	17.11	34.24	82.53	19.51	36.59	85.76
North East	16.06	32.87	81.61	19.25	35.02	83.98
North West	17.63	35.47	84.00	19.98	37.54	86.13
Midlands	16.13	33.40	82.07	18.29	35.53	84.64
South East	16.23	33.36	82.05	20.71	37.07	84.28
South West	16.58	33.20	81.89	19.51	35.31	83.93
Northern Ireland	16.69	34.57	n/a	18.87	37.22	n/a
Republic of Ireland	30.45	40.00	83.47	33.29	42.36	86.11
Portland	14.44	30.92	78.76			

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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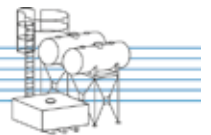
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