

BUNKERSPOT

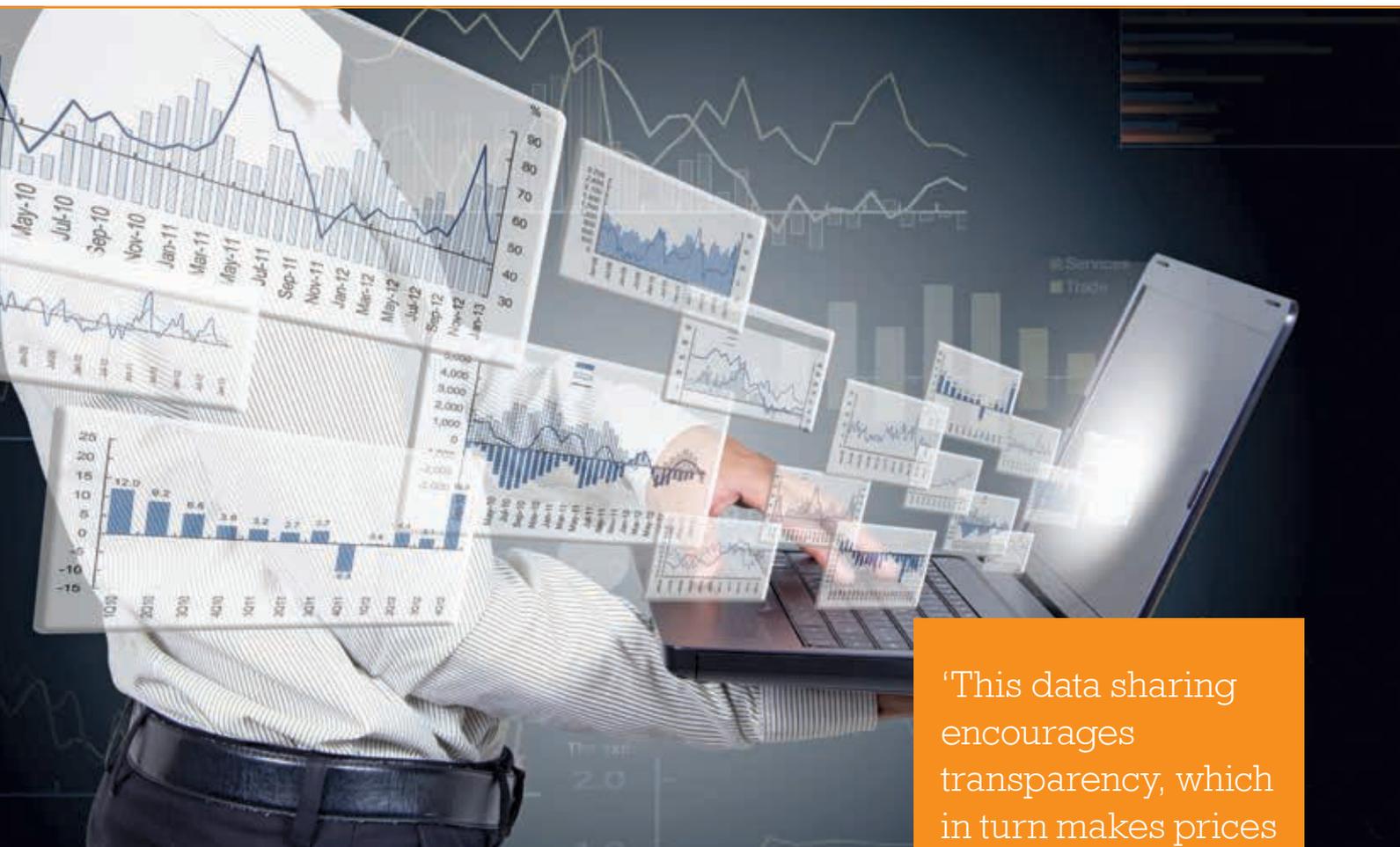
THE SHOCK OF THE NEW

ADAPTING TO COMMERCIAL,
OPERATIONAL AND REGULATORY
CHANGES



INSIDE:

FUEL MANAGEMENT
BUNKER FUEL PRICING
RECRUITMENT
LNG



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Price point

In today's bunker market, business decisions are informed and driven by a growing number of online market intelligence and price data sources. However, as Chris Thorpe explains, while increasingly sophisticated and expensive trading packages compete for market visibility, there is also a place for niche, customisable – and affordable – bunker pricing solutions

As my 12 year-old marched off to her first day of grade seven with iPhone clutched in hand I was again reminded of how technology continues to affect our lives. What was once reserved for the high technology businesses is now in the hands of grade schoolers. The window into the internet via any browser or user interface has unleashed millions of applications and data sources globally. In the oil markets, this is welcome news. Market intelligence and price data vendors who once held monopoly positions now face a wide variety of specialised competitors all vying for a piece of the market. The question is whether all the new choices create chaos or calm for the end user?

Price transparency has vastly improved over the past 20 years. In the 1990s, buyers and sellers alike had no choice but to rely on 'trusted' daily or weekly publications that printed trade information reported by surveys. Publishers were sometimes

said to report prices manipulated by certain influential traders who could fabricate trades to 'print' a number in their own favour. Accurate or not, what was once a daily fax is now a real time data feed to a desktop or hand-held gadget. This data sharing encourages transparency, which in turn makes prices less vulnerable to manipulation.

Price reporting technology has since improved but not to the equal benefit of every market player. On the contrary, technological gains have primarily been used to deliver information and news from highly liquid markets. These markets are traded rapidly in high volume where the best bid and best offer are clearly represented without preference to any particular party. They are also typically reported or traded on organised exchanges, such as the Intercontinental Exchange (ICE) or Chicago Mercantile Exchange (CME). In less liquid markets, price discovery is much more challenging and supplier pricing power still tends to be higher than consumer buying power.

One would think that price transparency would be improving for all market players given the availability of data and analytical tools. However, the choices and expense create complexities often problematic for even seasoned business professionals. Some of the best tools in the market, such as Bloomberg, require long-term contracts with restricted access for basic subscriptions.

Upgrading to premium services that include special market data can cost as much as \$3,000 per month per user. These high cost subscription-based services have created business opportunities for start-ups such as Aspect that now challenge global software rivals like Sunguard that provide both risk management and price transparency tools. Competition has driven improvements in products and reductions in subscription costs, to the benefit of customers.

These improvements have not gone far enough for the average user. Until now, professional pricing tools with analytical capability were designed for traders and sellers willing to spend more on real time exchange and trading data. Even where price transparency is high, buyers cannot accurately infer what marine fuel prices should be in their home ports. Why wouldn't buyers have the same tools as sellers and traders?

Carl-Johan Garsten of the Marine Bunker Exchange (MABUX) claims that many peo-

ple 'don't understand oil futures markets' and in most cases sellers are more sophisticated when it comes to market prices. Garsten also points out that some spot oil prices 'don't follow at all' when it comes to daily price fluctuations in oil markets. This is largely because suppliers have control or power in the local market. Brazilian oil markets provide a good example since government-owned Petrobras sets the price.

Garsten argues that bunker spot prices in local markets can be gleaned by calculating typical spreads to liquid benchmarks, including West Texas Intermediate (WTI) in the Americas and Brent in Europe. Garsten says that Mabux calculates implied local fuel oil and MDO prices using a non-linear formula that adjusts for changes to the benchmark on a real time basis using exchange-traded futures.

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Since port prices are only marked once per day, traders rely on previous days' prices or published prices. The published prices, however, may not reflect real time changes in the oil markets. Garsten argues local prices are often disparate and therefore require some calculation based on the best available liquid benchmark. Mabux indicates what local prices 'should be', says Garsten.

Garsten and MABUX may be onto something. Traders in the marine fuel market have been faced with the option of either an all-inclusive and costly product or the traditional daily price reports from Platts, Argus and OPIS.

Fortunately, publications such as *Bunkerspot* have been increasing their product offering with the launch of daily price publishing and now real time analytics. This crosses a line where tra-

ditional publishers left data analytics to pure software and user interface vendors such as Bloomberg, Sunguard or Aspect.

It appears that *Bunkerspot* will now compete for a share of user desktop or computer screen 'real estate'. Since traders have limited tolerance for multiple windows or programs, they tend to select two or three data, news and software vendors. As Petrosport rolls out its new Bunkerspot Price Index, or 'BPI', it will attempt to offer a wider suite of information sources in one tidy and affordable package.

Bunkerspot Managing Editor Lesley Bankes-Hughes stated that 'with the launch of the BPI, we are looking to deliver transparent, accurate and up-to-date information to the end user in a cost-effective and intuitive format.'

BPI will leverage the analytical tools of MABUX, which has been developing a live bunker price engine for a number of years. Bankes-Hughes says that 'as the platform develops, it will also allow the user to customise the data feed to create a streamlined, time efficient and, above all, useful tool which will sit alongside side *Bunkerspot*'s in-depth news coverage of the global marine fuels market.'

If BPI's daily tracking of bunker spot prices can offer 'an independent snapshot of the market', as *Bunkerspot* claims, then perhaps a reliable and affordable solution will be finally available. 'For ship and marine fuel professionals as well as legal, financial, commodities and research experts, who should be aware of price movements but who do not need the sophistication – or high cost – of trading information packages, BPI offers a simple, reliable and affordable solution,' adds Bankes-Hughes.

Access to this kind of tool will be a valuable benefit to subscribers on both sides of the market. As web tools and real time data converge in the open source computing environment, consumers have more cost-effective and customisable choices. Perhaps *Bunkerspot* will be a Google App one day integrated into the Google toolbar. However prices and analytics are accessed, fuel buyers ought to take advantage of the available tools which will help them improve their competitive position.

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