OPIS International Feedstocks Intelligence Report

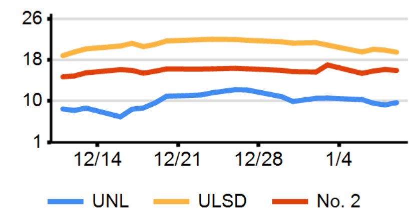
A Daily Report on U.S. Refinery Feedstocks Prices plus News and Commentary

OPIS By IHS Markit

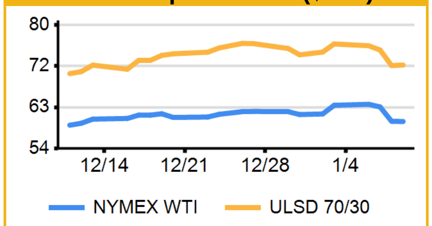
January 9, 2020

30-Day Snapshot

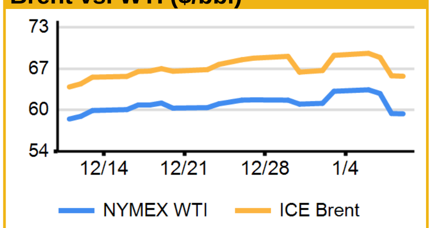
USGC Crack Spreads ($/bbl)



USGC 70/30 Split vs. WTI ($/bbl)



Brent vs. WTI ($/bbl)



ICE Brent Settle

Month	Price	Change
MAR '20	65.37	-0.07

MARKET OVERVIEW:

1/9/2020 - Oil futures had a choppy Thursday and whatever happens tomorrow, the big winners this week appear to be the exchanges, thanks to very brisk volumes. Refiners are having a rough January and marketers got some relief from some much-hoped-for wholesale price breaks in the last 48 hours.

February WTI lost 5cts bbl and settled at $59.56/bbl. Expect to see quite a bit of conversation about whether the top of the eventual 2020 market was seen when prompt WTI fetched $65.65/bbl just a couple of days ago. Similarly, Brent calmed down with late day quotes at $65.37/bbl almost $6.50/bbl below the weekly high.

Based on CFTC data, gasoline appears to be the most overbought energy contract, but the data doesn't show whether bets on higher prices are concentrated in winter, spring, summer or calendar positions. February RBOB closed up 0.39cts/gal today at $1.6527/gal and the spot market in New York Harbor is only about $4.17/bbl above March Brent. If adjusted for RINs' costs, the gasoline crack for merchant refiners is only about $3.60/bbl, hardly reflecting traditional excess.

FEEDSTOCKS:

Refiners and traders in the North Atlantic are now looking at a midwinter landscape where IMO-compliant bunker fuel (No. 6 oil with less than 0.5% sulfur) fetches a price that yields six times the margin available for winter gasoline.

OPIS confirmed yesterday that 0.5% sulfur max VLSFO (Very Low Sulfur Fuel Oil, or No. 6 residual fuel) saw Northeastern deals consummated at $24/bbl over the front-month Brent number.

Diesel, which represented the "cut" of the barrel that many analysts speculated might be the biggest beneficiary of IMO, commanded a margin of about $16.50/bbl over Brent, with a presstime outright number of $81.90/bbl.

RBOB, which typically slides during winter until spring turnarounds and the shift to a much more difficult to manufacture low-RVP summer blend, was just $4/bbl above Brent, with a measly value of $1.6525/gal.

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New York Mercantile Exchange at Settlement and Crack Spreads ($/gal)

WTI Crude Oil ($/bbl)

Month	Price	Change
FEB '20	59.56	-0.05
MAR '20	59.44	-0.02
APR '20	59.25	0.02

RBOB Unleaded (cts/gal)

Month	Price	Change
FEB '20	165.27	0.39
MAR '20	166.31	0.33
APR '20	184.79	0.48

ULSD (cts/gal)

Month	Price	Change
FEB '20	195.01	-0.81
MAR '20	195.07	-0.78
APR '20	194.41	-0.70

Key USGC Crack Spreads to WTI Crude

	Cash (cts/gal)	Crack ($/bbl)
UNL	163.770	9.22
No. 2	178.760	15.52
HS 70/30	168.2670	11.11

** ULSD 70/30 data is on page 2*

OPIS U.S. Gulf Coast VGO Values (cts/gal)*

	Cargo Prompt			Cargo Forward			Barge Prompt			Barge Forward		
Product	**Low**	**High**	**Avg**	**Low**	**High**	**Avg**	**Low**	**High**	**Avg**	**Low**	**High**	**Avg**
VGO (Low Sulfur)	173.95	175.15	174.550	173.65	174.85	174.250	173.95	175.15	174.550	173.65	174.85	174.250
Low Sulfur Diff to Split (ULSD)	3.15	4.35	3.750	2.25	3.45	2.850	3.15	4.35	3.750	2.25	3.45	2.850
Low Sulfur Diff to Split (HS)	5.70	6.90	6.300	4.85	6.05	5.450	5.70	6.90	6.300	4.85	6.05	5.450
Low Sulfur Diff to WTI	13.50	14.00	13.750	13.50	14.00	13.750	13.50	14.00	13.750	13.50	14.00	13.750
VGO (Med Sulfur)	173.35	174.55	173.950	173.05	174.25	173.650	173.35	174.55	173.950	173.05	174.25	173.650
Med Sulfur Diff to Split (ULSD)	2.55	3.75	3.150	1.65	2.85	2.250	2.55	3.75	3.150	1.65	2.85	2.250
Med Sulfur Diff to Split (HS)	5.10	6.30	5.700	4.30	5.45	4.875	5.10	6.30	5.700	4.30	5.45	4.875
Med Sulfur Diff to WTI	13.25	13.75	13.500	13.25	13.75	13.500	13.25	13.75	13.500	13.25	13.75	13.500
VGO (High Sulfur)	172.15	173.35	172.750	171.90	173.05	172.475	172.15	173.35	172.750	171.90	173.05	172.475
High Sulfur Diff to Split (ULSD)	1.35	2.55	1.950	0.45	1.65	1.050	1.35	2.55	1.950	0.45	1.65	1.050
High Sulfur Diff to Split (HS)	3.90	5.10	4.500	3.10	4.30	3.700	3.90	5.10	4.500	3.10	4.30	3.700
High Sulfur Diff to WTI	12.75	13.25	13.000	12.75	13.25	13.000	12.75	13.25	13.000	12.75	13.25	13.000

** Differentials to WTI are in $/bbl*

OPIS Current Year D6 Ethanol RIN Credits ($/RIN)

Date	Low	High	Avg	MTD
1/9/2020	0.1500	0.1600	0.1550	0.1450

OPIS Other Gulf Coast Feedstock and NGL Assessments (cts/gal)

Product	Low	High	Avg
Naphtha (Domestic Full-Range)	140.75	141.75	141.250
Diff to W-Borne Unl	-23.00	-22.00	-22.500
Naphtha (Domestic 40N+A)	144.75	145.75	145.250
Diff to W-Borne Unl	-19.00	-18.00	-18.500
Naphtha (Offshore 40N+A)	144.25	145.25	144.750
Diff to W-Borne Unl	-19.50	-18.50	-19.000
Paraffinic Naphtha ($/mt)	525.35	527.35	526.350
Mt. Belvieu N. Gasoline ($/mt)	467.65	481.60	474.625

Product	Low	High	Avg
LT. Cycle Oil	182.50	183.00	182.750
LT. Cycle Diff to No. 2	3.75	4.25	4.000
LS LT. Cycle Oil	184.75	185.25	185.000
LS LT. Cycle Diff to No. 2	6.00	6.50	6.250

Product	Low	High	Avg
Alkylate (cts/gal)	198.02	199.02	198.520
St. Run Resid (Lo Sul) ($/bbl)	68.05	68.55	68.300
Low Sul. Diff to WTI ($/bbl)	8.50	9.00	8.750
St. Run Resid (Hi Sul) ($/bbl)	58.05	59.05	58.550
High Sul. Diff to WTI ($/bbl)	-1.50	-0.50	-1.000
No. 6 Oil 3% ($/bbl)	41.55	41.65	41.600

OPIS NGL Assessments

Product	Low	High	Avg
N. Gasoline (River) Any	123.500	127.000	125.2500
N. Gasoline (River) Out	121.875	125.375	123.6250
Propane TET	44.750	46.000	45.3750
Normal Butane TET	69.750	71.125	70.4375
Isobutane TET	79.000	80.750	79.8750

OPIS U.S. Gulf Coast Refined Product Values (cts/gal)

	Waterborne Prompt			Waterborne Forward			Colonial Pipe Prompt			Colonial Pipe Forward		
Product	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg
Unleaded Regular	163.27	164.27	163.770	164.02	165.02	164.520	162.02	163.02	162.520	163.26	164.26	163.760
CBOB	-- --	-- --	-- --	-- --	-- --	-- --	157.77	158.52	158.145	158.51	159.26	158.885
No. 2 Oil	178.26	179.26	178.760	178.26	179.26	178.760	177.01	178.01	177.510	177.01	178.01	177.510
Jet 54	188.26	188.51	188.385	-- --	-- --	-- --	186.76	187.01	186.885	186.97	187.22	187.095
ULSD	186.76	187.76	187.260	187.06	188.06	187.560	185.76	186.76	186.260	186.37	187.37	186.870

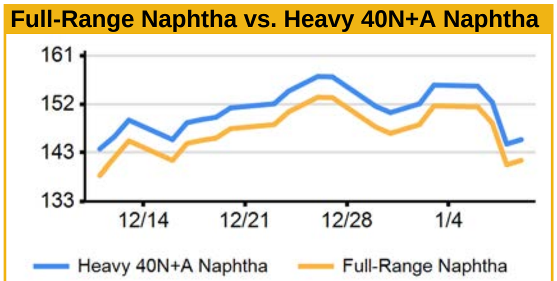
OPIS USGC Crack Spreads

USGC Prompt Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack ($/bbl)
70/30 UNL/ULSD	170.8170	12.18
UNL	163.770	9.22
ULSD	187.260	19.09
70/30 CBOB/No. 2	164.3295	9.46
CBOB	158.145	6.86
No. 2	178.760	15.52

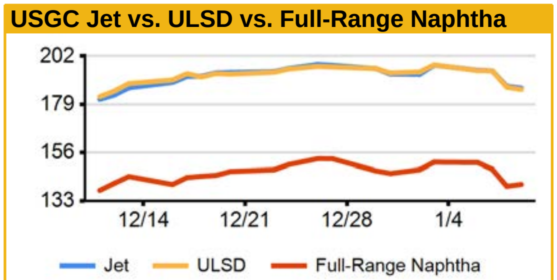
USGC Forward Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack ($/bbl)
70/30 UNL/ULSD	171.4320	12.56
UNL	164.520	9.66
ULSD	187.560	19.34

30-Day Trends (cts/gal)

Full-Range Naphtha vs. Heavy 40N+A Naphtha



USGC Jet vs. ULSD vs. Full-Range Naphtha



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So, does this represent the new IMO world, and will refinery executives trumpet the high returns for VLSFO in upcoming earnings reports?

Not likely, say most analysts that OPIS talked to. The problem is that simple light sweet crude refiners can't make a lot of VLSFO unless they run very expensive sweet crudes that have heavier gravity and yield a reasonable No. 6 oil. Many of the worldwide crude grades that are the best choices for a high-compliant residual fuel fetch large premiums to other benchmarks or have other problems such as high metals or high acid.

Two of the crude oil blends bandied about as attractive, for example, are Doba crude from Chad and some other blends from Angola. But suspicions are that these high-priced heavy sweet crudes represent only a percentage point or two of global blends. In the U.S., refiners running Uinta crude might be able to manufacture a compliant No. 6 oil, but that crude is mostly run by Salt Lake City processors with no means to move marine fuel to tidal water.

Thus, some refinery executives may use conference calls to point out that they are doing better than standard crack spread metrics, but it's tough to trumpet a fuel that might represent just 5% or 10% (or less) of refinery yields.

"This will not be the new normal," one refinery analyst told OPIS, adding that refiners "need to make their money on the large cuts of the barrel, whether it be distillate or gasoline."

There is speculation that more distillate molecules will find their way into compliant bunker fuel through blending, and there is evidence that vacuum gasoil is getting blended into the new fuels as well. The diversion of vacuum gasoil from cat crackers hasn't impacted gasoline inventories, but it may play a role in lower total motor fuel output.

IN THE USGC SPOT MARKET . . .

USGC 70/30 cracks versus WTI firmed today by approximately $0.15-$0.25/bbl, with weaker distillate cracks partially offsetting a stronger gasoline crack.

The USGC waterborne unleaded crack (13.5-lb. RVP, or M4 unleaded) versus February WTI improved by 42cts/bbl to $9.22/bbl.

The USGC waterborne high sulfur No. 2 (HS) crack slipped by 18cts/bbl to $15.52/bbl, and the USGC ULSD crack weakened by 39cts/bbl to $19.09/bbl.

The USGC HS 70/30 crack gained 24cts/bbl to $11.11/bbl, and the USGC ULSD 70/30 crack gained 17cts/bbl to $12.18/bbl.

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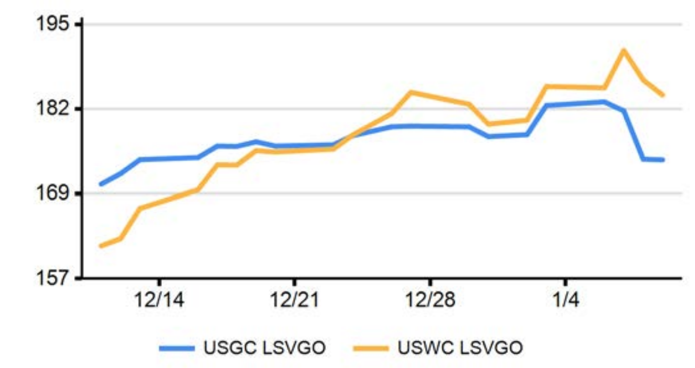
OPIS West Coast Spot Feedstocks Values

	Range (cts/gal)			Diff to 70/30 (cts/gal)			Diff to WTI ($/bbl)			Diff to ANS ($/bbl)		
Product	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg
Low Sulfur VGO	183.45	185.45	184.450	-5.00	-3.00	-4.00	17.50	18.35	17.925	8.85	9.70	9.275
High Sulfur VGO	179.45	181.45	180.450	-9.00	-7.00	-8.00	15.80	16.65	16.225	7.15	8.00	7.575
Light Cycle Oil*	160.55	162.55	161.550	-36.45	-34.45	-35.45	-- --	-- --	-- --	ANS Crude		68.20

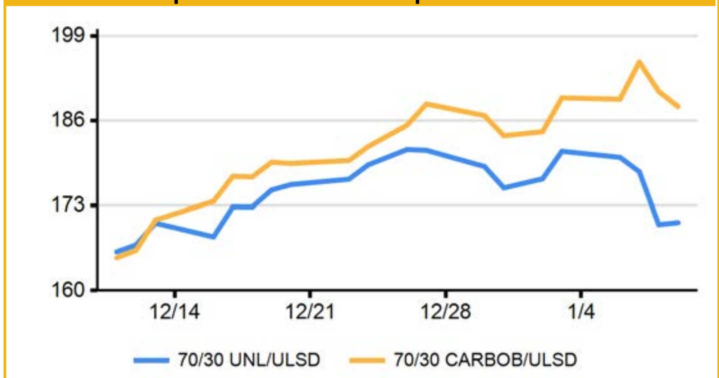
* Diff to L.A. ULSD

USGC-to-USWC Arbitrage (cts/gal)

U.S. West Coast LSVGO vs. USGC LSVGO



USWC 70/30 Split vs. USGC 70/30 Split



OPIS USWC Crack Spreads ($/bbl)

USWC Prompt Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack ($/bbl)
70/30 CARBOB/ULSD	188.4420	19.59
CARBOB	184.770	18.04
ULSD	197.010	23.18

OPIS USWC Refined Products (cts/gal)

	Prompt			Forward		
Product	Low	High	Avg	Low	High	Avg
CARBOB	184.27	185.27	184.770	192.81	193.81	193.310
ULSD	196.51	197.51	197.010	-- --	-- --	-- --

OPIS East Coast (NYH Barge) Refined Products (cts/gal)

	Prompt			Forward		
Product	Low	High	Avg	Low	High	Avg
Unleaded Reg	-- --	-- --	-- --	-- --	-- --	-- --
No. 2 Oil	185.01	186.01	185.510	185.01	186.01	185.510
Jet 54	194.26	195.26	194.760	194.26	195.26	194.760

OPIS East Coast Heavy Fuels Products ($/bbl)

Product	Low	High	Avg
No. 6 Oil .3% Hi Pour	94.90	95.00	94.950
No. 6 Oil 1.0%	78.85	78.95	78.900
No. 6 Oil 3%	44.05	44.15	44.100

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In the Gulf Coast VGO spot market: In the absence of reported spot market activity, OPIS today left unchanged from Wednesday all USGC VGO assessments versus February WTI. VGO at current price levels remains unattractive as feedstock for FCCs but does offer hefty margins when fed into hydrocrackers considering the higher distillate yields of the latter units.

Similarly, in the Gulf Coast naphtha market, the domestic 40 N +A heavy naphtha assessment was left unchanged at 19.00-18.00cts/gal under USGC waterborne unleaded, delivered basis, in the absence of reported spot market activity.

IN GASOLINE

U.S. GULF COAST gasoline prices spent the day tilting lower, but the larger losses seen toward the beginning of the day gave way to much lighter losses heading into the last trading day of the week.

Prompt Cycle 5 gasoline products scheduled today with action relatively thin given the deadline. Most basis levels were heading lower by enough to counteract the small Merc gains, but conventional gasoline did see a little buying interest that helped buoy prices. Outright prices followed suit, with most products seeing or staying near some of the lowest values in the last few weeks.

Prompt CBOB was heard done early at 6.75cts beneath the February futures contract, but traded multiple times at 7cts and 7.50cts below the Merc later in the day - finishing the session at the lower end of that range. That put basis levels down about 0.85cts, enough to counter futures and see prices shake off 0.36cts to $1.58145/gal - some of the lowest values since the middle of December.

Premium CBOB was traded at a 9ct premium to February futures, off a half-penny from yesterday. Cash prices shrugged off 0.11cts to $1.7427/gal, sticking close to Wednesday's mean.

The 13.5-lb. RVP "F4" RBOB traded at 6.50cts and 6.75cts under the February RBOB futures contract, seeing about the same 0.85ct drop in trading value as CBOB. Outright, prices shuffled down almost a half-penny to $1.58645/gal, marking the first back-to-back, sub-$1.60/gal sessions in just over three weeks.

The 15-lb. RVP RBOB also saw action today, widening the gap to its lower-RVP counterpart. A deal was heard at 7cts under February futures to start the day but slipped to trade at a 7.25ct discount. That widened the spread between the two products to a half-penny from the flat relationship seen for the last several sessions. Prices saw a deeper plunge, dropping 0.985cts to $1.58145/gal.

Conventional gasoline bucked the downward trend seen through the rest of the region for gasoline prices, with a deal at 2.75cts beneath the February NYMEX contract rising basis levels a half-penny from Wednesday. That added to the push from futures and saw prices gain 0.89cts to $1.6252/gal - but still record a second straight day in the low-$1.60s - much lower than the $1.70- plus marks seen just on Monday.

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OPIS Feedstocks Pricing

While vacuum gasoil (VGO) volumes transacted in the U.S. Gulf Coast spot market are not expected to exactly match the VGO specifications outlined in OPIS's feedstocks methodology, the OPIS specifications serve as a benchmark for making spot assessments. VGO with materially above-average qualities (relative to OPIS specifications) would be expected to command a stronger price, and VGO with materially sub-par specifications would be expected to be discounted for quality.

Depending on the extent of the quality discrepancy from OPIS' specifications, OPIS may decide to reflect VGO deals somewhere within price ranges (near one end of the range rather than the mean), or OPIS may decide that the qualities of the VGO in question are too far removed from the outlined specifications to be considered representative of spot VGO values.

The full methodology for OPIS' assessment of U.S. Gulf Coast and U.S. West Coast VGO, naphtha and other intermediate refinery feedstocks can be found online at http://www.opisnet.com/about/methodology.aspx

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Looking forward, the move to Cycle 6 overnight will see basis levels get some small moves higher of 0.50cts-0.75cts with the contango structure in the market.
Colonial Pipeline line space for Line 1, the main gasoline line, remained at the 0.75ct premium to tariffs seen yesterday.
NEW YORK HARBOR gasoline spot prices closed today's session within close range of the multiweek lows seen yesterday.
Prompt barge and Buckeye RBOB gasoline edged 0.04cts/gal higher, for a mean cash price of $1.6517/gal. Prior to yesterday's steep decline, the last time mean prices fell below this mark was on Dec. 12. Basis differentials weakened to 0.10cts/gal beneath the February NYMEX RBOB futures contract, with barge supplies for loading from Jan. 12 onward offered at "flat" to the Merc today.
Looking ahead, January "any timing" barrels - which are indicative of end- month levels - also saw differentials come off, with supplies heard and confirmed trading at 0.35cts/gal and 0.40cts/gal beneath the February screen.
February RBOB ratables - which deliver throughout the month of February - were talked in a narrow range on either side of 1.35cts/gal beneath the March screen, softening the basis a touch relative to yesterday's mean level.
CBOB for prompt barge and Buckeye loading saw trade premiums narrow to 0.30cts/gal above February RBOB futures. Looking ahead, non-prompt Jan. 16-17 Buckeye barrels were heard trading at 0.25cts/gal above the screen.
Turning to offline Colonial Pipeline material, cash trade levels softened for newly prompt Cycle 2 CBOB 13.5-lb. RVP gasoline, with trades heard at 0.50cts/gal, 0.35cts/gal and 0.25cts/gal above the February Merc.
RBOB 15.0-lb. RVP gasoline for prompt Cycle 1 delivery held steady at 0.75cts/gal above February RBOB futures, with an offer out in the marketplace at 1.25cts/gal above the screen, and no bids or trades seen.
Conventional gasoline "M4" for prompt Cycle 1 delivery was talked around 4cts/gal above the February Merc.
U.S. MIDWEST gasoline spot prices showed mixed movement, with Group 3 sub- octane gasoline sliding to fresh three-week low as CBOB basis levels rose to their highest in a month.
GROUP 3 prompt sub-octane gasoline (V-grade) differentials declined 1.25cts to minus 8.50cts/gal against February RBOB futures. Outright prices slipped 0.86cts to $1.5677/gal, the lowest in three weeks.
CHICAGO January Cycle 2 CBOB basis levels rose 0.75cts to minus 7.25cts/gal against February RBOB futures, the highest level since early December. Prompt- cycle barrels traded at minus 5.50cts via the Buckeye Complex, with other locations valued lower. Outright prices added 1.14cts to $1.5802/gal.
January Cycle 2 RBOB differentials dipped a penny to minus 3cts under the screen amid softer offer levels. Spot prices faded 0.61cts to $1.6227/gal.
IN DISTILLATES
U.S. GULF COAST spot distillate prices decreased by at least a half-cent on Thursday, bringing cash values to some of their lowest marks since mid- December.
Ultra-low-sulfur diesel moved to Cycle 5 last night, and those newly prompt barrels changed hands at an 8.75ct/gal discount to February NYMEX ULSD futures, diminishing basis levels by 0.25cts/gal compared to yesterday's ending mean differential. Those weaker trades compounded NYMEX selling, as outright mean prices hit a one-month low, declining by 1.06cts/gal, at

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$1.8626/gal at the close of the session.
Prompt ultra-low-sulfur heating oil was talked around a 2.10ct/gal discount to ULSD, placing outright mean prices at $1.8416/gal at day's end.
Today was the final day to book Cycle 4 high-sulfur diesel material into Colonial Pipeline, and prompt supplies were talked around 17.50cts/gal below the Merc, narrowing the discount by 0.25cts/gal versus Wednesday's mean. Futures weakness eased outright mean prices by 0.56cts/gal, at $1.7751/gal at closing. Like with ULSD, high-sulfur diesel cash values are also at their lowest level since December.
Cycle 5 jet fuel was heard and confirmed transacting between 8-8.25ct/gal Merc discounts, ending at the low end of that range. Today's activities squashed basis levels by 0.20cts/gal compared to yesterday's closing mean differential. Outright mean prices dropped to $1.86885/gal, a loss of around 0.89cts/gal at day's end.
Line space on Colonial Pipeline's Line 2 - the main shipping line for distillates - was discussed at about a 1.75ct premium to pipeline tariffs, 0.25cts loftier than Wednesday's closing level.
NEW YORK HARBOR distillates spot prices moved lower again today, although those declines were relatively modest when compared to yesterday's steep losses.
ULSD for prompt barge loading slipped 1.035cts/gal, for a mean cash price of $1.94435/gal - the lowest mean price seen since Dec. 11. Basis differentials softened, with prompt barge material trading at 0.40cts/gal beneath February NYMEX ULSD futures. Barge ULSD was also heard trading at 0.75cts/gal beneath the screen today, further weakening cash trade levels.
Buckeye ULSD continued to be gauged at a 0.20cts/gal premium to barge ULSD, amid hushed cash trade.
Offline unrestricted prompt Cycle 1 ULSD changed hands at 1ct/gal beneath the February Merc. Looking to future cycles, unrestricted Cycle 2 ULSD also traded at this same level.
ULSHO for prompt barge and Buckeye loading continued to be talked at 2.50cts/gal beneath February ULSD futures, while offline ULSHO for prompt Cycle 1 delivery was a touch stronger, at a 2.40cts/gal Merc discount.
Jet fuel for prompt barge and Buckeye loading slipped 0.56cts/gal, to a mean cash price of $1.9476/gal, as futures declines outweighed stronger cash trade levels. Buckeye supplies were most recently gauged at 0.25cts/gal beneath the February screen. Likewise, offline jet fuel saw its basis firm, with newly prompt Cycle 2 supplies last discussed on either side of a 0.25cts/gal discount to February ULSD futures.
U.S. MIDWEST distillates products prices softened over the course of the day, but steeper losses seen early in the session narrowed to declines within a penny.
GROUP 3 prompt ULSD (X-grade) differentials dipped 0.13cts to minus 8.88cts/gal against February ULSD futures, with deals at minus 8.75cts and minus 9cts. Outright prices fell 0.94cts to $1.8614/gal, the lowest in four weeks.
Group 3 prompt jet fuel (Q-grade) spot prices came off 0.81cts to $1.9751/gal with premiums steady at plus 2.50cts over the screen.
CHICAGO January Cycle 2 ULSD basis levels bumped up 0.50cts to minus 18cts/gal against February ULSD futures. Cycle 2 barrels traded at minus 26cts on the Badger Pipeline, at minus 13.75cts on the Wolverine Pipeline and at minus 12.50cts and minus 10cts via the Buckeye Complex. Outright prices dipped 0.31cts to $1.7701/gal, the lowest since October.
Looking ahead, January Cycle 3 ULSD traded at minus 12cts via the Buckeye Complex.
Chicago prompt-cycle jet fuel spot prices declined 0.81cts to $1.8701/gal, a fresh one-month low, with discounts steady at minus 8cts under the screen.

RESIDUAL FUEL:

U.S. Gulf Coast and East Coast residual fuel prices were lower Thursday while swaps edged higher. The front-month Feb. WTI contract edged down 5cts to $59.56/bbl.

Gulf Coast spot 3% for the front end was assessed at $41.55-$41.65/bbl, up $40.90-$41.00/bbl Wednesday.

The physical East Coast price ranges were assessed at $94.90-$95.00/bbl for 0.3% low pour. 1% was assessed at $78.85-$78.95/bbl and 3% was assessed at $44.05-$44.15/bbl.

In the East Coast swaps market, 1% front-month swaps for February were unchanged at $74.70/bbl. March gained $0.30/bbl to $73.00/bbl. On the Gulf Coast, 3% swaps for February climbed $0.80/bbl to $42.65/bbl and March rose $0.85/bbl to $42.20/bbl.

NEWS:

***Sonatrach Awards $3.7 Billion Refinery Contract to Samsung, Tecnicas

Algerian state-oil firm Sonatrach has awarded to Samsung Engineering Co. and Tecnicas Reunidas a $3.7 billion contract to build a refinery in Hassi Messaoud.

The Engineering, Procurement and Construction (EPC) lump-sum turn-key deal for a 110,000 barrel a day (b/d) refinery is to be completed in 52 months, or sometime in 2025, Samsung said in a statement on Thursday.

Samsung said its stake in the deal is worth about $1.6 billion and the rest is held by Tecnicas.

Algeria currently has crude and condensate refining of 637,500 b/d, which is well short of its around 1.05 million b/d of crude oil output capacity.

The country's refining sector lacks complexity despite recent upgrade investments, leading to relatively high volume of fuel oil output, according to IHS Markit's "Algeria - Infrastructure" report in November 2019.

The government has reiterated its priority to increase domestic production of gasoline in order to reduce reliance on imports, which are becoming increasingly expensive, especially with the depreciation of the Algerian Dinar, the report showed. It highlighted that both greenfield and expansion projects remain highly uncertain.

Algeria exported 571,000 b/d of crude oil, while domestic demand totaled at 431,400 b/d in 2018, according data from the Organization of the Petroleum Exporting Countries (OPEC).

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