



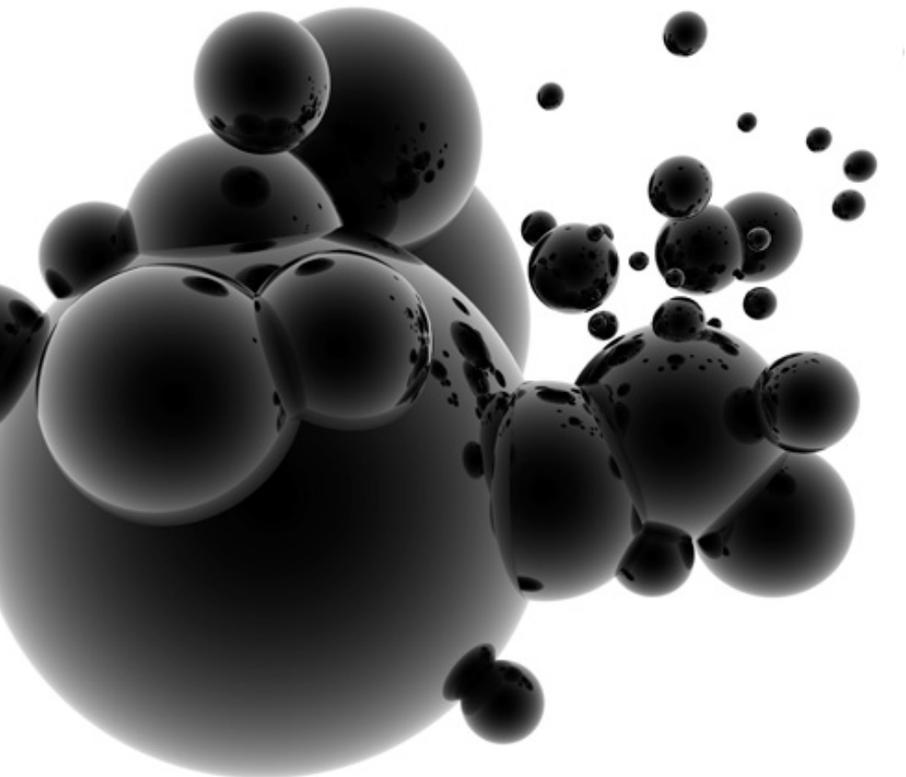
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SPECIAL REPORT: OIL

FOB Singapore Beyond Singapore — Towards FOB Straits

August 2014



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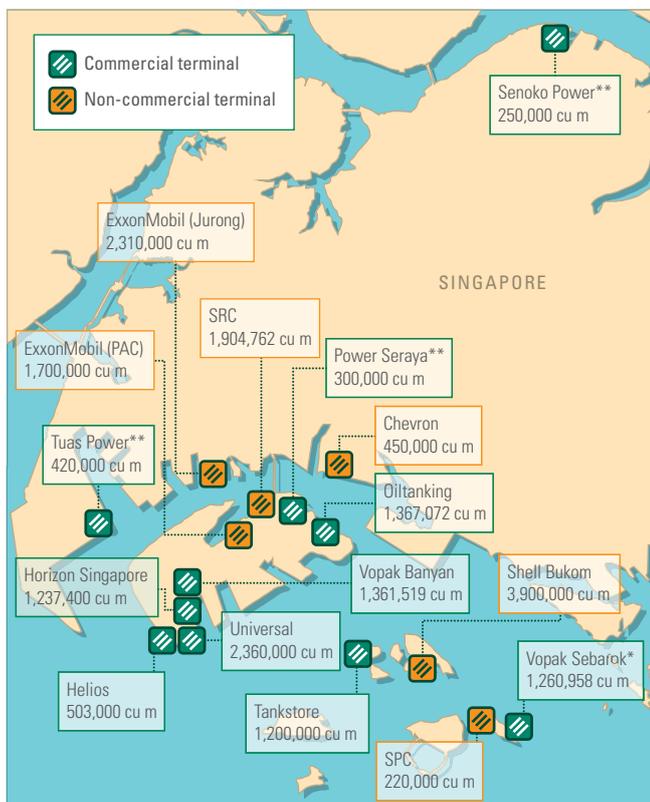
FOB SINGAPORE BEYOND SINGAPORE – TOWARDS FOB STRAITS

Platts is actively studying the evolution of the geographical coverage of its “FOB Singapore” refined oil products benchmarks to ensure they are well positioned to reflect growth in regional oil trading for years to come. The limited possibility of further expansion of Singapore’s on-land oil storage, coupled with growth plans in nearby Johor and the Riau Islands, means trading of products – and the benchmarks that reflect that activity – will spill beyond Singapore’s traditional boundaries and into new frontiers.

Demand for oil storage in Singapore continues to be robust. Globally, trade flows to the east are increasing, fuelling the demand for storage in the region, while Asia’s need for oil products continues to grow and refinery capacity remains on a steady rise. In some areas, notably Australia and Japan, planned and completed refinery closures have increased the need for imports. Meanwhile, China and India are adding capacity and their exports are a major feature of the regional flow, a large portion of which of course comes through the Malacca Straits.

Singapore’s storage capacity is a key reason for the country’s status as Asia’s leading oil trading hub. Accessible tanks are a vital part of the oil trading business, providing the infrastructure for storing products, blending and distribution. They are a key tool for traders to manage oil supply in volatile and unpredictable markets.

Singapore terminals



*Includes some chemical storage **Capacity fluctuates based on station’s needs

Before the first independent storage was built in 1983 by Vopak on Pulau Sebarok, Singapore’s storage capacity was dominated by oil majors with refineries on the island. Vopak Sebarok has now expanded to more than 1.2 million cubic meters, from an initial 220,000 cu m. The latest addition to Singapore’s pool of storage terminals was Universal Terminal, built in 2008, with a total storage capacity of 2.36 million cu m. Located on Jurong Island, UT is one of Asia’s largest commercial storage terminals.

The island’s current total storage capacity stands at about 20.5 million cu m, including more than 10 million cu m of commercial storage, complementing the oil trading hub’s refining capacity of close to 1.4 million barrels/day.

Singapore’s oil infrastructure, coupled with its deep-sea port, has enabled it to process and trade large volumes of oil products. Its strategic location between the Indian and Pacific Oceans not only allows convenient access to large regional markets, but also makes it an attractive center for break bulk markets such as the supply of bunker fuel to ships.

Based on data from International Enterprise (IE) Singapore, the country is the world’s busiest bunkering port, importing about 5.5 million mt of fuel oil per month. About 3.5 million mt of the heavy distillate is sold as bunkers, and the remaining 1.6-1.9 million mt is exported, mainly to China and Malaysia. Meanwhile, it is also a net exporter of middle distillates and gasoline. About 2.3 million mt and 1.2 million mt of middle distillates and gasoline, respectively, are exported from Singapore to Australia and the Southeast Asian nations of Malaysia, Indonesia and Vietnam.

Challenged by alternative Asian hubs?

The logistics of trading in Singapore have expanded in the past decade, with storage increasing within Singapore and trading embracing terminals in Malaysia and Indonesia to accommodate higher volumes, as supply and trading has steadily climbed across Asia. Beyond Singapore, storage has mushroomed across Asia, in areas such as China’s Zhuhai, Malaysia’s Port Klang and South Korea’s Ulsan, responding to the same market signals.

South Korea is pushing ahead with efforts to create an oil trading hub, with the energy ministry announcing in March 2014 that it would offer tax incentives to global oil trading companies and ease regulations on oil trading. The government is also hoping to boost commercial storage availability. Current projects under construction or planned would boost commercial storage to 36.6 million barrels of oil storage by 2020. But the ministry has said that the government would lease a further 20 million barrels of storage from its strategic reserve facilities to the private sector, bringing the total to 56.6 million barrels, or 8.98 million cubic meters.

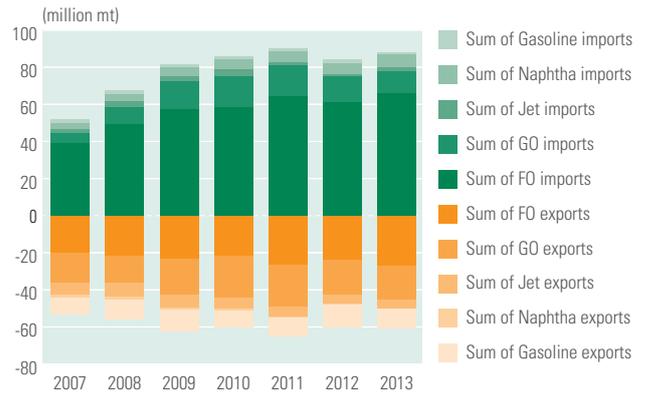
Further west, the Middle East is also seeing rapid growth in storage and refining capacities. The UAE’s Fujairah is set to expand its oil storage capacity by 118% by 2015 from 2012, to a total of 9.96 million cu m. The growth of storage capacity will complement a 20% rise in refining capacity in the Middle East by 2016 from 2012.

Malaysia's increasing product flows



Source: Energy Commission

Singapore's increasing product flows



Source: Investment Enterprises Singapore

Neither of these locations is yet to reach Singapore's level of storage availability, but it is clear that they are catching up fast. And for Singapore to retain its position of pre-eminence in an environment of increasing regional trade, new infrastructure will also be required.

Slowing growth of Singapore's storage capacity

Further growth of Singapore's storage terminal market is expected to be curtailed by limited waterfront land availability. Government authorities of the land-scarce city have indicated a shift in priority to the higher-value chemicals manufacturing sector, and have said they will no longer allocate any land for oil storage. In fact, the next, and perhaps last, major storage project in the city has moved below ground; the Jurong Rock Caverns storage project is slated to start up in 2015.

Competition for landed Singapore storage was most keenly felt by the industry in 2008, when the middle distillates and naphtha markets moved into contango, which made storing products for future sales profitable. A contango structure encourages traders to buy oil and put it into storage for sale at a higher price at a future date, if profits from rolling hedges forward are sufficient to cover the cost of storing underlying physical oil products.

■ According to industry sources, independent storage capacity at that time had been fully leased on a long-term basis, with a lengthy queue of traders on the hunt for storage. The shortage of land storage in Singapore precipitated an unofficial sub-leasing market, and put heavy pressure on market players to look beyond the city state.

Some traders without storage access at that time began to look at floating storage, using vessels moored close to the island. Caught in a lackluster shipping market, Very Large Crude Carrier storage costs were estimated at \$30,000-35,000 per day – or about \$4/mt per month (inclusive of bunker costs). That put offshore floating storage costs significantly cheaper than onshore costs, which peaked at around \$7/mt per month.

Storage costs have come down from those peak levels, but remain relatively high. According to industry sources, recent storage costs are in the range \$5-6/mt per month for term leases. In comparison, storage across the border in Malaysia has been heard in the range \$3-5/mt.

Expansion of Johor's storage capacity

Capitalizing on flows of oil to and from the Southeast Asian region, the Malaysian government has announced plans to build close to 10 million cu m of oil storage by 2020. Oil and gas developments in Johor, Kota Tinggi and Pengerang have been earmarked as national projects of strategic importance. The government has also introduced incentives for trading companies in a bid to boost interest. The work has focused on three key projects: Tanjung Langsat, Tanjung Bin and Pengerang.

Tanjung Langsat, which is located about 42 nautical miles north east of Jurong Island – Singapore's dominant petroleum and petrochemical hub – consists of three terminals: Tanjung Langsat Port Oil Terminal (100,000 cu m), Langsat Terminal One (470,000 cu m) and Langsat Terminal Two (170,000 cu m).

Tanjung Langsat Port Oil Terminal, owned by Johor Corporation, started up in June 2008. This was followed by Centralized Terminals' and Puma Energy's development of Langsat Terminal One and Two, which opened in September 2009 and February 2012, respectively. CTSB is a 55:45 joint venture between Dialog Group Berhad and MISC Berhad, while Puma Energy is a subsidiary of Trafigura.

Tanjung Langsat Terminal One was approved as a delivery location for the Platts Market on Close assessment process in March 2010, and in December 2011 Trafigura sold its first FOB Tanjung Langsat cargo through the Platts Market on Close assessment process – 50,000 barrels of 92 RON gasoline for loading over January 12-16, 2012 to Vitol.

ATT Tanjung Bin, owned by VTTI – a joint venture between Vitol Group and MISC Bhd – lies 15 nautical miles to the west of Jurong Island. The ATB oil terminal started operations in April 2012, and in its first phase has a total of 41 oil storage tanks, with a total capacity of 890,000 cubic meters. It plans to expand the terminal by another 250,000 cu m by mid-2015. The terminal was approved for the Platts MOC process in December 2012, with the first trades reported from the location in January 2013.

The most recent oil terminal to be unveiled in Johor was the 1.28-million cu m Pengerang Independent Deepwater Petroleum Terminal, which reached mechanical completion in March 2014 and received its first cargo in April 2014. Developed by Pengerang Terminals – a 51:49 joint

venture between Dialog Group Bhd and Vopak Group – the Pengerang oil terminal is about 31 nautical miles east of Jurong Island.

Alongside the storage terminal is Petronas's Refinery and Petrochemical Integrated Development (RAPID) project. Scheduled to be commissioned by 2018, the RAPID project will comprise a refinery of 300,000 b/d capacity – a fifth of Singapore's total refining capacity – a 3 million mt/year naphtha cracker and a petrochemicals and polymer complex.

To the south, the Riau Islands have also seen a growth in storage projects. Switzerland-based Gunvor Group and Germany's Oiltanking are jointly building a 760,000 cu m oil storage terminal, with a planned start date in mid-2015 on Karimun, south of Singapore's Jurong Island. China's Sinopec has also started work on what could be Southeast Asia's largest oil storage terminal in the 360-hectare Batam Free Trade Zone in Indonesia. The \$850 million investment is expected to store up to 16 million barrels (2.54 million cu m) of crude and refined fuels. Batam's second phase of development would consist of a refinery and petrochemical project.

Malaysian terminals in the Platts MOC process

Platts currently considers in its FOB Singapore assessment process deliveries made from three southern Malaysian oil terminals: Pasir Gudang and Tanjung Langsat to the north east of the city state, and to the west of Singapore Tanjung Bin. South Malaysia has been part of the FOB Singapore benchmark since January 2001, when the storage

terminal at Pasir Gudang was introduced as a delivery point for transactions concluded in the Platts Market on Close assessment process. The most recent inclusion was Tanjung Bin, approved in December 2012. During 2013, there were 54 trades reported through the Platts MOC process on an FOB Malaysia basis across the fuel oil, gasoil, jet fuel and gasoline markets. In the first half of 2014, there were 9 trades concluded during the MOC assessment process for various product cargos loading out of Malaysia.

Widening the list of ports that can serve as loading points for FOB oil products trades in the Singapore area has provided a broader foundation for market liquidity, while retaining the advantages of a relatively narrow focus in the Asian oil products benchmarks. At the time of each inclusion, Platts has stated that it would continue to review the relative value of deliveries from southern Malaysian terminals compared with deliveries from landed storage within Singapore. When necessary, cargo values for FOB South Malaysia have so far been normalized for reflection in the FOB Singapore assessment process.

Costing the differences between Singapore and Malaysia

Under Platts' current methodology, approved alternative locations from Johor may be used to offer oil products published during the Market on Close assessment process, with the load point clearly stated at the time of the offer. Bids for Malaysian terminals are not published, due to the restrictive nature of such indications: only a limited pool of counterparties has access to those locations.

At each approval of these alternative delivery locations, Platts has stated that it would continue to review the relative value of deliveries made from southern Malaysian terminals compared with those from landed storage within Singapore, and if appropriate, values may be normalized. Such normalization would account for differences in the costs that buyers would face.

Subscriber note

Platts will take into consideration trading activity FOB Pasir Gudang, Malaysia for its FOB Singapore petroleum product assessments effective January 2, 2001. Please send suggestions/comments to Jorge Montepeque or Esa Ramasamy at tel +65 532 2800 or fax at +65 532 2600

Ports proximate to Singapore



Johor terminals				
	Tanjung Langsat (TLP, TgL1, TgL2**)	Tanjung Bin (existing)	Tanjung Pengerang	Pasir Gudang (Far East Oil Terminal One)
No. of Berths	7	5	6	4
Maximum draft (m)	15*	17.5	24	13.5
Maximum LOA (m)/ vessel type	470 (partially- laden VLCC)	fully-laden Suezmax or partially laden VLCC	350 (VLCC)	290 (Aframax)
No. of tanks	39	41	57	16
Storage capacity (m ³)	740,000 and up to 2 million by 2017	890,000 and another 250,000 by mid-2015	1.28 million by 2014 and up to 5 million by 2020	230,000
Pipelines loading speed (m ³ /hr)	3,000			1,500
Clean light	N.A	5,000	4,000-6,000	N.A
Clean middle	N.A	7,000		800
Dirty heavy	N.A	7,500	9,000	4,000
Dirty-Clean allocation (%)	50-50	40-60	33-67	98-2
Product scope	Naphtha, middle distillates, diesel, gasoline, fuel oil	Gasoline, jet fuel, kerosene, naphtha, gasoil, diesel, fuel oil	Naphtha, gasoline, jet fuel, kerosene, gas oil, diesel, crude oil	Fuel oil and gas oil
Port Authority	Johor Port Authority	Port of Tanjung Pelepas	Johor Port Authority	Johor Port Authority, Pasir Gudang
Developer	TLP - Tanjung Langsat Port Sdn Bhd; TgL1 and TgL2 - Centralized Terminals Sdn Bhd	ATT Tanjung Bin Sdn Bhd	Pengerang Terminals Sdn Bhd	Operated by FEOTO
Land area (hectares)	25 (estimated)	30	200 hectares (total land space, beyond Phase 1)	4
Cost	RM\$1.5 billion (estimated)	RM\$1.1 billion	US\$620 million	US\$30 million
Ownership	TLP Oil Terminal: 100% Johor Corp; TgL-1 and TgL-2: 80% Centralized Terminals Sdn Bhd (55% Dialog, 45% MISC Bhd) and 20% Puma Energy (subsidiary of Trafigura)	100% VTTI	100% Pengerang Terminals Sdn Bhd (51% Dialog Group Bhd, 49% Royal Vopak)	Cosco-Feoso (S) Pte Ltd (JV between Cosco Holdings (S) Pte Ltd and Feoso Investment (S) Pte Ltd)
*Channel restrictions by MPA at about 12m; **TLP: 100,000 cu m; LgT1: 470,000 cu m; LgT2: 170,000 cu m				
Source: Company websites, Platts				

There are many ways of assessing the costs incurred in such loadings. At a basic level, lump sum freight rates can give an indication of the differences. In 2013, charter-party freight rates seen by Platts generally showed either flat rates for inclusion of Malaysian terminals, or premiums of \$5,000-10,000 for an Aframax-sized vessel. Based on a parcel size of 20,000 mt, that would equate to \$0.25-0.50/mt (\$0.04-0.08/barrel). In the majority of cases, however, there was no premium attached for the inclusion of Malaysian terminals.

The lump sum fee is a market rate that attempts to account for a wide variety of costs, including freight costs, agency fees, port and light dues, pilotage, mooring, and additional permits. If those elements are analyzed individually, differences between loadings in Singapore and Malaysia become less apparent.

Taking an Aframax vessel of 110,000 DWT as an example, Platts analysis finds that basic charges for a 20,000 mt loading from Universal Terminal in Singapore amount to \$17,664, with a further \$4,125 for Singapore port dues and agency fees of somewhere in the region of \$2,500-4,000. In comparison, charges for a similar vessel loading at the FEOTO terminal in Pasir Gudang, Malaysia amount to

\$16,432¹, plus port dues of \$1,470 and \$2,500-4,000 for agency fees. The same costing for Tanjung Bin arrives at \$10,207 (including port dues) plus \$2,500-4,000 for agency fees, and for Tanjung Langsat at \$21,855 (including port dues) plus \$2,500-4,000 for agency fees.

Fairly frequently, counterparties load multiple parcels of a commodity from different terminals, and here the costs may vary further. The cheapest loading for two parcels would of course be co-loading, giving significant savings on all port costs. But for comparative purposes, we have considered loading parcels from Universal Terminal and Senoko Terminal (also in Singapore), as against loading parcels from Universal and the three Malaysian terminals listed above. Again, using a typical Aframax vessel as an example, and leaving bunker costs to one side (the distances involved from Universal to all four terminals are comparable), for the Singapore-Singapore loading, the total cost comes out at \$44,978. That compares with Singapore-Pasir Gudang at \$43,691, Tanjung Langsat at \$47,644 and Tanjung Bin at \$35,996. Detailed cost calculations basis an Aframax are presented in table above (Cost comparison of an Aframax).

¹ Figures based on conversion of 2.5 Ringgit = 1 SGD

A third method of comparison is available through the annual freight rates published by Worldscale for Singapore ports to a variety of locations compared with the Malaysian ports. These are shown in the table below (Worldscale Rates (2014)) for Singapore and Tanjung Bin. Notably, for all locations whether east or west of Singapore, the rates are cheaper for vessels loading out of the Malaysian port.

In sum, it is apparent that buyers may face minimal extra costs loading from the Johor terminals as against the Singapore terminals, and those only at the shipping lump sum rate level. When explicit costs are analyzed separately, three of the four Malaysian terminals in proximity to Singapore provide cheaper loadings than Singapore, while Tanjung Langsat has extra costs of just around S\$0.07/mt.

Concerns beyond port costs

While port costs may be cheaper in Malaysian terminals, market participants have voiced concerns that there are trading costs beyond these line items. Tanjung Bin, for example, is situated opposite the Tanjung Pelepas container terminal, which has raised concerns regarding congestion and the possibility of increased demurrage risks.

Worldscale comparison - WS 2014 rates					
From	Singapore	Dist	Tanjung Bin	Dist	Difference
Vanino	15.57	7,014	15.49	7,068	0.08
Qingdao	12.14	5,125	12.05	5,179	0.09
Ningbo	10.71	4,335	10.64	4,389	0.07
Port Klang	2.89	421	2.66	404	0.23
Onsan	11.53	5,089	11.46	5,143	0.07
Yokohama	13.72	5,829	13.65	5,883	0.07
Chiba	14.00	5,863	13.92	5,916	0.08
Kaohsiung	8.16	3,241	8.09	3,295	0.07
Jakarta	5.12	1,542	5.04	1,596	0.08
Hong Kong	7.66	2,915	7.58	2,969	0.08
Colombo	7.99	3,193	7.78	3,173	0.21
Manila	7.09	2,702	7.02	2,756	0.07
Ho Chi Minh	5.02	1,323	4.95	1,377	0.07

Source: Industry sources, World Scale

Similarly, freight charges are subject to shipowners' discretion, and there have been reports of unpredictable rates given in the market for charters covering Malaysian terminals.

Other issues raised by the industry have included legal restrictions to the "FOB Singapore" nomenclature in supply contracts stipulating that cargoes have to load strictly from Singapore. Parcels loaded from Malaysia of course carry a different certificate of origin, issued by the Malaysian International Chamber of Commerce and Industry. These COOs may not be compatible with "FOB Singapore" contract requirements. The COO is a document that certifies the country of production and/or manufacture of a good, intended to satisfy customs or trade requirements, such as supporting a letter of credit.

A related, though less well-defined, issue is the question of optionality around loading from Malaysian terminals. A buyer of a FOB Singapore cargo can take advantage of a wide range of proximate tankage when nominated a terminal in the Jurong area. In some cases, counterparties are able to use inter-tank transfers to exchange the commodity, taking freight costs out of the equation. Even in the normal case of loading on to a ship, the proximity of other terminals can mean that buyers can load multiple parcels in succession on to a single vessel, or co-load parcels. For Malaysian terminals that do not sit within the Jurong concentration, however, those options may be more limited.

Some counterparties have also raised questions around the tax implications of loading from Malaysian terminals. The oil terminals at Tanjung Langsat, Pasir Gudang (Feoto) fall under the Public Bonded Warehouse scheme, while the Tanjung Bin terminal falls within the Johor Port Free Zone. Both schemes were established for export-oriented goods. This means that there are no differences in tax incentives (i.e. customs duties and sales tax), on condition that the goods are exported outside of Malaysia. If sold domestically or to local clients, sales taxes and customs duties apply. Of course, those taxes would also apply on any products loaded in Singapore and delivered into Malaysia for domestic sales.

Singapore port charges (SGD)																
	Helios	Universal	Horizon	Tankstore	SRC	Oiltanking	Shell Bukom	XOM Jurong	XOM PAC	Tuas	Vopak Sebarok	Vopak Banyan	Chevron Penjuru	Power Seraya	Senoko Power	SPC
Agency Fee	SGD 2,500-4000, depending on agency appointed															
Tpt/Comms	0															
Light Dues	0															
Port Dues	\$7.00 + \$0.50 for each day or part thereof up to the 5th day i.e. \$7 + (1 day x 0.50) x 550 = 4,125															
Tugs Dues/ towage	2x tugs x 6 hours x 840 = 10,080															
Pilotage Fees	398 x 8 hrs = 3,184															
Mooring & unmooring	4,500	4,250	3,850-4,500	3,850	3,850-4,500	4,300	2,500	0	0	4,200-4,800	4,250	4,250	4,500	7,000	5,500	3,850
Launch	150															
Maritime Welfare Charge	140															
Total	24,679-26,179	24,429-25,929	24,029-26,179	24,029-25,529	24,029-26,179	24,479-25,979	22,679-24,179	20,179-21,679	20,179-21,679	24,379-26,479	24,429-25,929	24,429-25,929	24,679-26,179	27,179-28,679	25,679-27,179	24,029-25,529

*Assumes 24 hour loading, 55,000 GRT
Source: Industry sources, MPA

There may be issues related to Free Trade Agreements for loading parcels beyond Singapore. Like Johor and Singapore, there are different port charges for individual terminals in the Amsterdam, Antwerp and Rotterdam area. While the ARA model has been used as a reference for the Singapore region, a key difference is that most cargoes in ARA are assessed on a delivered (CIF) basis, while the benchmark in Singapore is basis loading (FOB). Another difference is that products exported from ARA may be regarded as an EU product, while exports from Singapore, Malaysia and Indonesia are regarded as three separate source points.

Singapore currently has the widest scope of bilateral FTAs, with 20 countries, while Malaysia has six. Indonesia has not signed any bilateral FTAs, but is undergoing FTA negotiations with five other countries. Notably, Singapore’s most recent FTA to come into force was with the Cooperation Council for the Arab States of the Gulf (GCC). The GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, a list that includes several key oil products importers and exporters.

The varying scope of FTA coverage among Singapore, Malaysia and Indonesia may present different trade economics and implications for cargoes loading from these countries, unless a single Free Trade Zone is established in the area in the future.

Towards FOB Straits

The growth of storage terminals beyond Singapore raises the question as to whether to include regional terminals as part of the “FOB Singapore” oil benchmarks in a more integrated fashion. Platts is carefully studying different options. This could include the possibility of non-discrimination among the different load ports – a “FOB Straits” approach, encompassing the terminals beyond Singapore’s borders. Under this model, FOB Straits bids could be met with any approved terminal, whether in Singapore, Malaysia or Indonesia, while similarly sellers could nominate any such terminal for a FOB Straits offer. Compensation for any additional costs incurred would be under the seller’s account.

Taking a bird’s eye view of the regional demand and supply of storage terminals, and widening the options for alternative loading and delivery locations, could be the key to enabling the Southeast Asian oil market to remain the pre-eminent trading hub in Asia. For the Singapore market to continue to grow, it will require access to greater infrastructure, and given the paucity of available land in the city-state it stands to reason that this will most likely come through cross-border developments.

Platts recognizes that any proposed changes first require close monitoring of the evolution of the market around the new terminals in Malaysia and Indonesia. On this note, Platts welcomes feedback from the market on the possibility of accepting loadings from regional terminals as basis “FOB Singapore” or “FOB Straits”.

On Friday, July 18, 2014, Platts published the following subscriber note detailing its formal proposals for the FOB Straits approach:

Johor port charges (RM)			
	Tanjung Bin	Tanjung Langsat	Pasir Gudang
Agency Fee	RM4,000-6,000, depending on agency appointed		
Tpt/Comms	0	0	0
Light Dues	0.2 x NRT	0.2 NRT	0.2 x NRT
Port Dues			
LOA Less than 90m		3xLOA	3xLOA
LOA 90-175m		9xLOA	9xLOA
LOA 175-280m		15xLOA	15xLOA
LOA >280m		25xLOA	25xLOA
Consolidated Marine Charges (24 h)			
(< 100m)			4012.8
(100-150m)			5677.2
(150-200m)			12004.2
(200-250m)			15017.6
(250-300m)			24267.6
(>300m)			35986.95
Pilotage/Tugs Dues			
up to 80m (1P/1T)		3,640	2,800
81-125m (1P/1T)		4,550	3,500
126-185m (1P/2T)		10,010	7,700
186-240m (1P/2T)		12,870	9,900
241-280m (1P/2+1 T)		18,850	14,500
>280m (21P/2+2T)		31,148	23,960
Mooring	3500	1.75 x LOA x 2	
Mooring Boats	500-1000 (based on LOA)		
Dockage	3.50 x LOA x hours		3.50 x LOA x hours
		@ berth	@ berth
Permits	20 (harbourmasters), 30 (chemist)	20 (harbourmasters), 30 (chemist)	20 (harbourmasters), 30 (chemist)
Private jetty dues	N/A	0.25xtotal cargo (mt)	
*Unique to Tanjung Bin, consolidated marine charges include (i) port dues; (ii) pilotage; (iii) towage; (iv) dockage			
1 SGD = 2.5 RM			
Source: Industry sources			

SUBSCRIBER NOTE: PLATTS PROPOSES TO IMPLEMENT ‘FOB STRAITS’ FROM JULY 2015 Singapore

(Platts)--17Jul2014/1052 pm EDT/252 GMT

Platts requests feedback on a proposal to amend the loadpoints reflected in its FOB Singapore assessments for fuel oil, middle distillates and gasoline, with effect from July 1, 2015.

Platts proposes that from July 1, 2015, the FOB Singapore assessments will reflect “FOB Straits” bids, offers and transactions.

Platts has no plans to amend the nomenclature of its published FOB Singapore assessments and plans to continue to reference these assessments in all publications under the name of “FOB Singapore.”

For FOB Straits bids and offers, buyers and sellers would not state a specific loadpoint at the point of communication to Platts, and would proceed to nominate loading from one of the locations in Singapore and Malaysia that are already approved for the Platts Market on Close assessment process.

For FOB Straits transactions, sellers would nominate an approved loadpoint seven days prior

FOB Singapore Beyond Singapore – Towards FOB Straits

to loading for all products, except gasoline (loadpoint is nominated 10 days prior to loading for gasoline). Such approved loadpoints may include approved terminals in Singapore, or southern Malaysia.

Additionally, Platts requests comments around the possible future inclusion of Indonesian terminals in the process. Platts does not currently reflect any Indonesian terminals in its FOB Singapore assessments.

If a seller nominates a loadpoint that would impose demonstrable costs above the standard costs associated with loading from a Singapore terminal, extra costs would be borne by the seller.

Under this revised approach, from July 1, 2015, Platts would no longer publish FOB Singapore or FOB Malaysia bids, offers or transactions in its Market on Close assessment process. Platts will only publish bids and offers and transactions as FOB Straits.

This proposed change in methodology reflects the fact that the Singapore refined oil products markets have grown significantly in the last several years.

The associated spot markets now regularly include trades for commodities loading close to, but beyond the geographic borders of, Singapore.

In 2013, Platts reported 54 physical trades for oil products loading in terminals in Malaysia during its Market on Close assessment processes.

To reiterate, under current Platts methodology, Platts FOB Singapore assessments have reflected "FOB Singapore" bids, offers and transactions, as well as "FOB Malaysia" offers and transactions, published during the Market on Close assessment process but from July 1, 2015, Platts will reflect FOB Straits bids, offers and transactions.

Please send all comments, feedback and questions by September 30, 2014, to pl_asia_oilproducts@platts.com and pricegroup@platts.com.

For written comments, please provide a clear indication if comments are not intended for publication by Platts for public viewing. Platts will consider all comments received, and will make comments not marked as confidential available upon request.

Cost analysis of loading two parcels of HSFO in Singapore and Malaysia

Assumptions

Gross Tonnage	55,000 mt	Length Overall	245 m
Net Tonnage	30,000	Loading time per terminal	24 hours
Deadweight Tonnage	110,000	Scenario	Empty vessel loads 20,000 mt from Universal then to respective second terminals to load another 20,000 mt

	Universal Terminal	Senoko	Pasir Gudang (FEOTO)	Tanjung Langsat	Tanjung Bin
Agency Fee	2,500-4,000, depending on agency appointed*				
Light Dues	N/A	N/A	2,400	2,400	2,400
Port Dues	4,125	4,400 (this includes port dues incurred at UT)	1,470	1,470	N/A
Consolidated Marine Charges	N/A	N/A	N/A	N/A	6007 [^]
Pilotage	3,184	3,184	5,800	7540	N/A
Tugs	10,080	10,080			N/A
Mooring	4,250	5,500	N/A	343	1,400
Mooring Boats	N/A	N/A	N/A	400	N/A
Dockage	N/A	N/A	8,232	8,232	N/A
Launch	150 (some agencies include this in agency fees)	150 (some agencies include this in agency fees)	N/A	N/A	360-400

		Distance (nautical miles)	Additional bunker cost
UT > Senoko	Agency Fee (\$2,500-\$4,000) + SIN port dues 48 hours (\$4,400) + \$17,664 (UT total) + \$18,914 (Senoko total) = <u>\$43,478-\$44,978</u>	55	6,283
UT > Pasir Gudang	Agency Fee (\$2,500-\$4,000) + SIN port dues 24 hours (\$4,125)+ JOH port dues 24 hours (\$1,470) + \$17,664 (UT total) + \$16,432 (Pasir Gudang total) = <u>\$42,191-43,691</u>	45	5,141
UT > Tanjung Langsat	Agency Fee (\$2,500-\$4,000) + SIN port dues 24 hours (\$4,125)+ JOH port dues 24 hours (\$1,470) + \$17,664 (UT total) + \$20,385 (T. Langsat total) = <u>\$46,144-47,644</u>	45	5,141
UT > Tanjung Bin	Agency Fee (\$2,500-\$4,000) + SIN port dues 24 hours (\$4,125)+ \$17,664 (UT total) + \$10,167-10,207 (T. Bin total, inc port dues) = <u>\$34,456-35,996</u>	18	2,056

1 USD = 1.25 SGD; 2.5 Ringgit = 1 SGD; fuel consumption per mile: 0.15 mt; Bunker cost SGD\$750/mt; All figures in Singapore dollars

* one time charge for UT-Johor; ** ATB consolidated marine charges includes port dues, pilotage, towage, dockage

Source: Industry sources, MPA



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