

Top quality oil sold near \$100 a barrel on new ship fuel rules



Just shy of \$100 a barrel – that's the cost of a type of crude that's become prized thanks to the scramble for cleaner-burning fuels.

Australia's Santos Ltd. this week sold a cargo of March-loading Pyrenees, a dense and low-sulfur oil, at a premium of about \$31 a barrel over Dated Brent, according to traders who took part in the tender. That's the equivalent to just under \$100 a barrel given that the global benchmark is trading at about \$65.

Demand for so-called heavy-sweet oil like Pyrenees has surged in recent months due to cleaner global ship-fuel standards, known as IMO 2020, which took effect Jan. 1. The new rules

have boosted the value of these crudes that are low in sulfur and also viscous, which makes them better for marine engines. Low-sulfur marine fuel, another IMO compliant type of oil, cost about \$640 a ton this week in Singapore, the equivalent of about \$95 a barrel.

Santos had sought a target price of \$32 a barrel or more over Dated Brent, according to traders. The company has a minority stake in the Pyrenees project, which it acquired through its 2018 purchase of Quadrant Energy.

“New IMO 2020 environmental regulations for shipping bunker fuel are driving the low-sulfur fuel oil market,” a Santos spokeswoman said in an emailed statement. “Heavy sweet crudes like those from our Van Gogh and Pyrenees fields are well suited for fuel oil blending to meet the new environmental requirements and are currently in very high demand.”

Pyrenees is also particularly valued because of its relative scarcity, with production of about 15,000 barrels a day pumped from fields off Western Australia, according to BHP Group, the majority owner and operator. A cargo to load this month was sold in November at more than \$17 a barrel over Dated Brent. Another Australian heavy-sweet crude, Van Gogh, sold at a premium of as high as \$19 to Dated Brent in December.