# WEEKLY HEDGING REPORT
## FOR EMISSIONS, FREIGHTS & BUNKERING

**30.10.2023** // PREPARED BY UPOILTRADING INC

# EDITORIAL

**THEODORE CHOULIARAS**
PETROLEUM ECONOMIST
B.O.D. PRESIDENT & CEO OF UPOILTANKERS & INC.

**Shipping Management is exposed in 4 Important Risks:**

1. Freight Market Risk: The potential for a vessel owner to charter their vessel long-term in a declining market, offering lower freight rates, while the spot market concurrently presents higher rates, resulting in earnings loss or actual financial losses.

2. Bunkering Cost Risk: The likelihood of facing elevated bunkering costs in the future, impacting the profitability of our future COA or spot contracts.

3. Emissions Compliance Risk: The risk associated with non-compliance with emissions regulations (MRV), potentially leading to substantial penalties.

4. Credit Default Risk: The risk of the charter party failing to fulfill their payment obligations for freight, which can occur due to bankruptcy or insolvency.

UPoilTrading Inc extends a warm invitation to explore the realm of hedging, providing an opportunity to protect against those risks through the utilization of "Advanced Financial Contracts." These contracts are available for trading on the London freight exchange, and on the London Energy Exchange.

**PLEASE CHECK OUR HEDGING STRATEGY BELOW OF EVERY SECTION COMMENT.**

European Union Allowances (EUAs) have been facing downward pressure recently, primarily due to milder weather conditions that have led to reduced demand in the power sector. This situation is unfolding despite the backdrop of elevated natural gas prices. Currently, EUAs are trading at levels very near their yearly lows, with prices hovering around the critical support level of 79.50 €/ton, established on October 3rd.

It's worth noting that back in October, DEC23 EUA prices experienced a sudden bounce at this crucial support level, sparking a brief but robust bullish trend over the following eight sessions, resulting in an 8% appreciation.

This market is now at a critical juncture, offering intriguing opportunities for short-term traders but posing substantial risks for those with a long-term perspective. If the 79.50 €/ton support fails to hold, DEC23 EUAs could potentially dip to 77 €, and if this support is breached as well, the market may find itself in uncharted territory.

In summary, the EUA market's current vulnerability, influenced by weather conditions and natural gas prices, presents a complex scenario for traders. The nearness of the support level and the potential for further downside make it a critical juncture that demands careful monitoring and strategic decision-making.

## EU ALLOWANCES

| Contract Name | Last | Change | High | Low |
|---|---|---|---|---|
| ICE EUA Futures (Oct '23) | 81.17s | -1.04 | 81.17 | 81.17 |
| ICE EUA Futures (Nov '23) | 81.45s | -1.03 | 81.80 | 81.45 |
| ICE EUA Futures (Mar '24) | 82.72s | -1.04 | 83.10 | 82.72 |
| ICE EUA Futures (Jun '24) | 83.75s | -1.05 | 83.75 | 83.75 |
| ICE EUA Futures (Dec '23) | 81.67s | -1.04 | 83.24 | 81.40 |
| ICE EUA Futures (Aug '24) | 84.44s | -1.05 | 84.44 | 84.44 |

## UK ALLOWANCES

| Contract Name | Last | Change | High | Low |
|---|---|---|---|---|
| ICE UKA Futures (Oct '23) | 38.88s | +2.42 | 38.88 | 38.88 |
| ICE UKA Futures (Nov '23) | 39.04s | +2.42 | 39.04 | 39.04 |
| ICE UKA Futures (Mar '24) | 39.84s | +2.41 | 39.84 | 39.84 |
| ICE UKA Futures (Jan '24) | 81.45 | 82.72 | 83.75 | 81.40 |
| ICE UKA Futures (Dec '24) | 39.42s | +2.42 | 39.42 | 39.42 |
| ICE UKA Futures (Dec '23) | 41.65s | +2.46 | 41.65 | 41.65 |

## THE SPOT OIL MARKET

The global oil market witnessed several notable trends and developments over the past week. One of the key factors influencing oil prices was the ongoing geopolitical tensions and conflicts, particularly in the Middle East. Concerns over potential disruptions to oil supplies from this region contributed to market volatility.

Additionally, the decision by major oil-producing countries, such as OPEC and its allies (OPEC+), to stick to their production quotas had a significant impact. They maintained their gradual production increases, signaling a cautious approach to avoid oversupplying the market. This policy helped support oil prices as it balanced the ongoing recovery in global oil demand.

Furthermore, the energy transition towards cleaner sources continued to influence the market. The push for renewable energy and electric vehicles, along with increased environmental regulations, put pressure on oil companies to adapt and invest in greener technologies. This shift is expected to have a long-term impact on the demand for oil.

On the financial side, the oil market also responded to fluctuations in the U.S. dollar, which can influence the attractiveness of oil as a commodity for international investors.

| OIL | WTI | BRENT |
|---|---|---|
| F Oct 27 | 85.54 | 90.48 |
| T Oct 26 | 83.21 | 87.93 |
| W Oct 25 | 85.39 | 90.13 |
| T Oct 24 | 83.74 | 88.07 |
| M Oct 23 | 85.49 | 89.83 |
| F Oct 20 | 88.75 | 92.16 |

| FUELS | IFO380 | VLSFO | MGO | DIFF |
|---|---|---|---|---|
| Singap | 469.00 | 653.00 | 953.00 | 270.00 |
| Fujairah | 675.00 | 723.00 | 1000.00 | 250.00 |
| Rott | 476.00 | 662.00 | 863.00 | 187.00 |
| Houston | 516.00 | 604.00 | 863.00 | 194.00 |
| Piraeus | 496.00 | 610.00 | 905.00 | 356.00 |
| instabul | 541.00 | 676.00 | 941.00 | 59.00 |

## THE FUTURE BUNKERING MARKET

Over the past week, the derivatives bunkering market has seen several noteworthy trends and developments. One of the significant factors influencing this market was the ongoing fluctuations in energy prices, particularly the surge in oil and gas prices. These price dynamics had a direct impact on derivatives used in bunkering operations, adding uncertainty to market participants.

| FUELS | SNG 380 | SNG 0,5% | ROTT 3.5% | ROTT 0,5% |
|---|---|---|---|---|
| Nov 23 | 446.75 | 644.75 | 446.75 | 575.00 |
| Dec 23 | 445.25 | 619.50 | 445.25 | 562.25 |
| Q1 23 | 442.75 | 596.00 | 442.75 | 521.25 |
| Q2 24 | 439.75 | 578.75 | 439.75 | 541.00 |

In addition to energy prices, the global push for cleaner energy sources and increased environmental regulations continued to shape the derivatives bunkering landscape. As the world focuses on reducing greenhouse gas emissions, there has been a growing interest in cleaner fuel options for shipping. This trend has given rise to new derivatives products designed to manage the risk associated with the transition to low-sulfur and alternative fuels.

Moreover, market participants are closely monitoring regulatory changes. International regulations, such as IMO 2020, have already altered the landscape by mandating lower sulfur emissions from ships. These regulations have spurred innovation in derivatives products to help ship operators comply while managing costs.

The derivatives bunkering market remains highly responsive to energy price fluctuations, environmental concerns, and regulatory changes. As stakeholders seek to adapt to a rapidly evolving industry, the demand for innovative derivatives solutions is expected to grow, shaping the market in the coming weeks and months.

| DIRTY | TD3 | | TD7 | | TD9 | | TD20 | |
|---|---|---|---|---|---|---|---|---|
| TANKERS | WS | $/MT | WS | $/MT | WS | $/MT | WS | $/MT |
| OCT23 | 52,00 | 12,69 | 149,50 | 11,54 | 144,50 | -24,35 | 110,00 | 21,00 |
| NOV23 | 68,50 | 16,72 | 165,00 | 12,74 | 148,00 | 14,85 | 132,00 | 25,20 |
| DEC23 | 71,00 | 17,33 | 170,00 | 13,12 | 150,00 | 15,21 | 118,50 | 22,62 |
| JAN24 | 69,10 | 15,05 | 172,65 | 12,50 | 127,39 | 12,00 | 108,77 | 18,60 |
| FEB24 | 66,57 | 14,50 | 165,75 | 12,00 | 125,27 | 11,80 | 102,34 | 17,50 |
| MAR24 | 64,74 | 14,10 | 151,93 | 11,00 | 116,77 | 11,00 | 95,91 | 16,40 |
| Q423 | 63,83 | 15,58 | 161,50 | 12,47 | 147,50 | 15,16 | 120,17 | 22,94 |
| SPOT WS | 59,67 | | 214,64 | | 292,50 | | 153,41 | |
| MTD WS | 51,23 | | 142,61 | | 182,64 | | 104,94 | |
| YTD WS | 56,55 | | 140,00 | | 181,14 | | 103,73 | |
| FLAT RATE | | | | | | | | |
| 2023 | 21,78 | | 7,24 | | 10,03 | | 17,10 | |
| 2024 Est | 21,23 | | 7,36 | | 9,76 | | 16,74 | |
| 2025 Est | 0,00 | | 0,00 | | 0,00 | | 0,00 | |

The derivatives FFAs (Forward Freight Agreements) market witnessed several notable trends and developments in the past week. FFAs are financial instruments used to hedge or speculate on future freight rates, and they play a crucial role in global trade and shipping.

One key trend was the continued impact of supply chain disruptions on FFAs. The ongoing challenges in global logistics, including port congestion and container shortages, have led to increased volatility in freight rates. Traders in the FFAs market closely monitored these disruptions to gauge their impact on future shipping costs.

Additionally, environmental concerns and regulations are increasingly influencing FFAs trading. With growing emphasis on sustainability and emissions reduction in the shipping industry, there is a rising demand for FFAs related to low-sulfur fuel and eco-friendly vessels. This trend reflects a broader shift toward more environmentally responsible trading practices.
Furthermore, geopolitical events and regulatory changes can significantly affect FFAs markets. The imposition of sanctions on certain countries or the introduction of new trade policies can alter the dynamics of the freight market, leading to fluctuations in FFA prices.

| CLEAN | TC6 | | TC5 | | TC1 | | TC2 | |
|---|---|---|---|---|---|---|---|---|
| TANKERS | WS | $/MT | WS | $/MT | WS | $/MT | WS | $/MT |
| OCT23 | 193,50 | 14,98 | 165,48 | 0,00 | 156,30 | 42,50 | 164,00 | 28,21 |
| NOV23 | 245,00 | 18,96 | 170,00 | 0,00 | 161,00 | 43,78 | 192,00 | 33,02 |
| DEC23 | 295,00 | 22,83 | 182,00 | 0,00 | 167,00 | 45,41 | 215,00 | 36,98 |
| JAN24 | 284,75 | 21,10 | 193,02 | 0,00 | 161,02 | 39,00 | 209,92 | 33,00 |
| FEB24 | 251,69 | 18,65 | 189,31 | 0,00 | 155,86 | 37,75 | 199,75 | 31,40 |
| MAR24 | 222,67 | 16,50 | 184,97 | 0,00 | 150,70 | 36,50 | 192,43 | 30,25 |
| Q423 | 244,50 | 18,92 | 172,49 | 0,00 | 161,43 | 43,89 | 190,33 | 32,74 |
| SPOT WS | 195,83 | | 167,50 | | 171,89 | | 169,75 | |
| MTD WS | 192,72 | | 165,83 | | 155,75 | | 163,39 | |
| YTD WS | 210,94 | | 166,54 | | 146,77 | | 182,44 | |
| FLAT RATE | | | | | | | | |
| 2023 | 7,41 | | 24,22 | | 24,22 | | 15,72 | |
| 2024 Est | 7,39 | | 23,62 | | 23,62 | | 15,68 | |
| 2025 Est | 0,00 | | 0,00 | | 0,00 | | 0,00 | |

**Hedging Strategy for emission traiding**

We see a risk to the upside at the current price level. The EUA curve reflects the interest rate curve and is in contango. Entities that have to hand in allowances should compare internal funding costs to the implicit cost-of-carry in the EUA futures curve when considering buying EUAs "physically" or using the futures curve to hedge EUA risks.

**Hedging Strategy for crude oil**

We observe a robust support level in the range of USD 84-85, and the possibility of testing the USD 100 mark is quite plausible. In a broader context, we believe that a higher price range is warranted, driven by the favorable fundamental landscape, notably the OPEC+ production cuts. It is also crucial to be mindful of the risk associated with an escalation in geopolitical tensions, particularly if conflicts extend to involve Iran.

In essence, our analysis suggests a supportive price floor within the USD 84-85 range and the potential for reaching USD 100, driven by a sound fundamental outlook and ongoing market dynamics. Hence, maintaining a well-balanced hedge position is essential to navigate potential market fluctuations effectively.

**Hedging Strategy for Bunkers**

Regarding Very Low Sulfur Fuel Oil (VLSFO), the market has seen a healthy supply following the commencement of crude processing at the Al-zour refinery in Kuwait. This development has added to the overall availability of VLSFO in the market.
As for High Sulfur Fuel Oil (HSFO) 3.5%, there is an expectation that it will demonstrate a competitive performance against Brent in November, especially in light of recent price decreases. It's worth noting that, typically, this time of year experiences a seasonal weakening in the market.

Our recommendation for consumers is to maintain a hedge ratio at or slightly above their individual company benchmarks. The forward curve is reflecting a more significant discount to Brent, with additional backwardation in the 3.5% HSFO curve. We anticipate that prices will continue to trade above the forward curve.

upoil

TRADING INC

# DISCLAIMER

This marketing document, subject to modifications, is given for purely informative purposes and does not constitute a contract. This document is confidential, intended exclusively to the person to whom it is given, and may not be communicated to any third party, nor distributed to a person or in a jurisdiction where such distribution would be restricted or illegal and may not be copied in whole or in part, without the prior written consent of UPoilTankers & Trading Ltd.("UPOIL."). The contents of this document are not intended to provide investment advice nor any other investment service, and the document does not constitute and under no circumstances should it be considered in whole or in part as an offer, a solicitation, advice, a personal recommendation to purchase or subscribe for an investment service and/or product, nor an invitation to invest in the class of assets mentioned herein. No investment decision or instruction should be based solely on this document. The information indicated in this document shall not be considered as legal or tax or accounting advice. Furthermore, accessing some of these products, services and solutions might be subject to conditions. Some of the products and services mentioned in this presentation are reserved only for a certain category of investors, and/or adapted to investors who are sophisticated and familiar with these types of investment products and/or investment services and/or class of assets. The reader of this document is responsible for observing all applicable laws and regulations of the relevant jurisdictions. Any simulations and examples included in this document are provided only for indicative and illustration purposes. The present information may change depending on the market fluctuations and the information and views reflected in this document may change. UPOIL does not take on any responsibility to update or make any revisions to this document and UPOIL does not offer any guarantee, express or implied, as to the accuracy or exhaustivity of the information. The historical data and information, including any quoted expression of opinion, have been obtained from, or are based upon, external sources that our company believes to be reliable but have not been independently verified and are not guaranteed as to their accuracy or completeness. Our company shall not be liable for the accuracy, relevance or exhaustiveness of this information. Past performance is not a guide to future performance and may not be repeated. Investment value is not guaranteed, and the value of investments may fluctuate. Estimates of future performance are based on assumptions that may not be realised and should not be deemed an assurance or guarantee as to the expected results of investment in such asset class(es). To the extent communicated in the United Kingdom, this promotion is directed only at (1) high net worth companies and other businesses of the type set out in Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (F.P.O.) and (2) investment professionals of the type set out in Article 19 of the F.P.O., and the services described in this promotion are available only to such persons. This promotion is not directed at any other U.K. persons, and must not be acted upon by any other U.K. person. This promotion is not intended for or directed at any person or legal entity within the U.S., nor any of its territories


upoil
TRADING INC
Hedging The Bunker World
Κλειδώσετε την ανώτερη τιμή που είστε διατεθειμένοι να πληρώσετε για Bunkering τους επόμενους μήνες
και προστατευτείτε από οποιαδήποτε πιθανή άνοδο,
αφήνοντας το ρίσκο αποπληρωμής της διαφοράς σε εμάς.
WWW.UPOILTRADING.COM

upoil

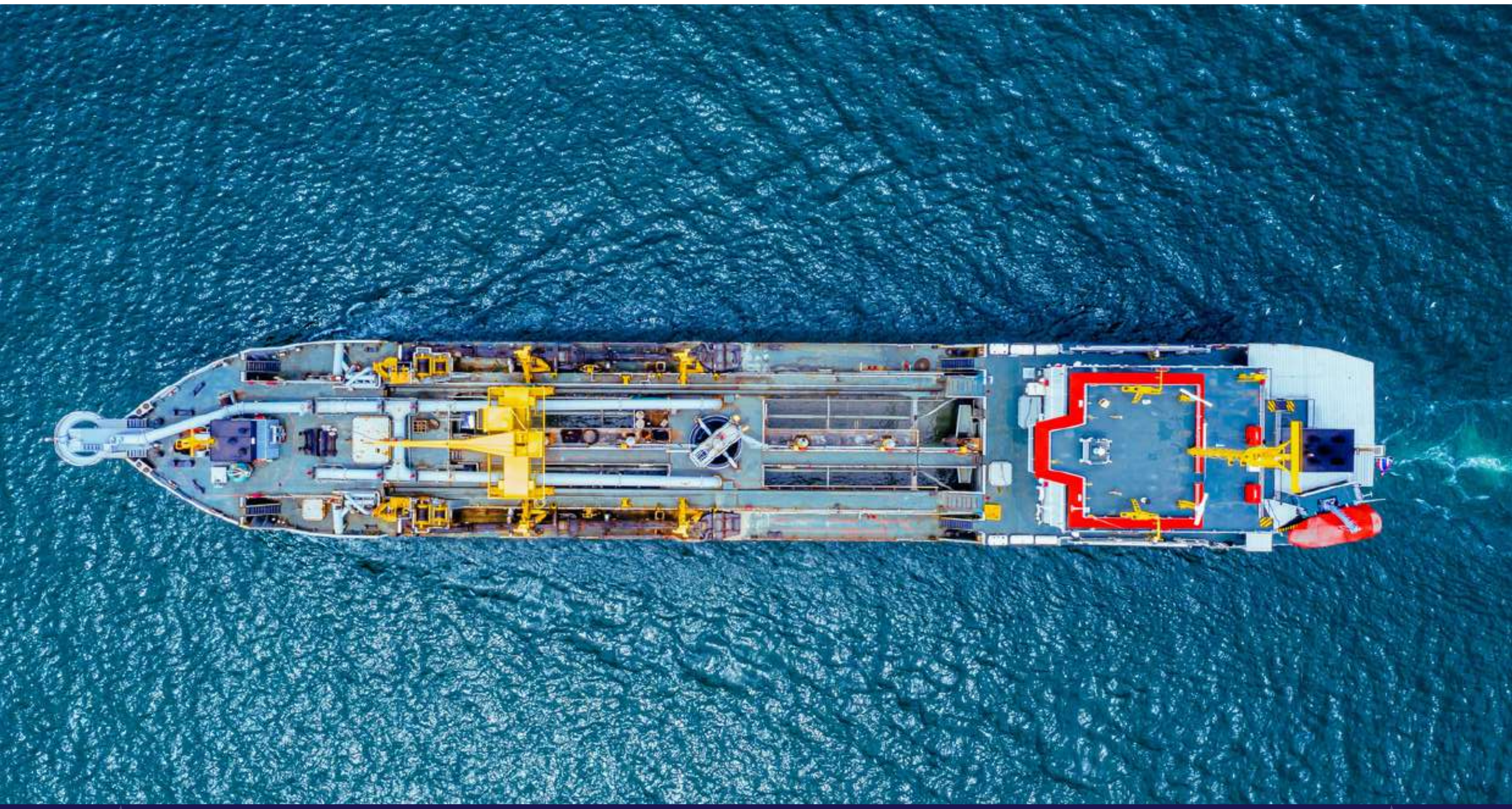
TRADING INC

## TRADING ΝΑΥΤΙΛΙΑΚΩΝ ΡΥΠΩΝ

Εξασφαλίστε τα δικαιώματα ρύπων που χρειάζεστε για το κάθε σας πλοίο ξεχωριστά,

και διασφαλίστε την καλύτερη τιμή τους μέσω της καθημερινής διαπραγμάτευσης τους στο χρηματιστήριο ρύπων.

WWW.UPOILTRADING.COM



# CONTACT US

+30 210 010 1474, +44  203 576 4009

Athens Greece Office:
Filellinon 1-3 & Akti Miaouli Street, Piraeus

London UK Office :
40, Bank Street, Canary Wharf, London

Dubai  Office :
4Level 54, Almas Tower JLT

Director@upoiltrading.com

www.upoiltrading.com