This report has been prepared by the Database Team of the SPC Economic Development Division Energy Programme to review and analyse regional fuel and LPG prices for the third quarter of 2016 (Q3.2016) based on monthly averages of published daily, Mean Platt’s Singapore (MOPS) benchmark prices.

**Third Quarter Oil Market Report (July–September 2016)**

There are external factors that determine fuel prices, apart from internal factors that revolve around Pacific Island countries like wharfage cost, duties, VAT etc. External factors heavily influence fuel prices. For instance, on 28 September 2016, OPEC members had an informal meeting and agreed to limit production to 32.5–33 million barrels per day, which is between 0.7% and 2.2% below the current output. Noticeably, the following day MOPS price rose between 3% and 5% for all fuel products. Fuel prices can be volatile, as we have seen in Q4.2015 with the major drop in the price of crude oil, which was considered the cheapest for the last decade. Noticeably, between Q1.2016 and Q3.2016, there was an increase in MOPS price for all fuel products as a result of petroleum outages in Nigeria, when intruders blocked access to its largest Crude Oil Exxon Mobil; massive wildfires forcing closures on key oil-sand mining sites in Canada; and the decline in US oil production. In Q3.2016 there was a slight increase in price due to US pipeline construction, limiting supply, the after-effects of the Brexit announcement, and the OPEC Special Meeting. The price of Dated Brent crude oil was at its lowest at the beginning of this year by USD 31.90 per bbl. It then increased to USD 49.57 per bbl in June, followed by a drop of 7% in July to USD 46.31 per bbl, remaining constant throughout July and August before it picked up again in September by USD 0.4 per bbl to USD 46.71 per bbl. The consistency in July and August of USD 46.31 per bbl – or 7% compared to June – indicated the steady demand for petroleum products, which may suggest that supply side was the main driver of prices.
For the third quarter there was a slight downward movement in MOP prices for gasoil, from July to 3 August 2016, due to ongoing oversupply and the additional cargoes coming into the spot market adding to the mounting inventory. Traders also pointed at the lacklustre demand, further dampened by the monsoon season in India and the fishing ban in China. There was a steady upward increase in price before it jumped from 28–29 September by more than 3%–5% for mogas 92, 95, 97, kerosene and gasoil. This came after the OPEC Special Meeting. For heavy fuel oil, there was a huge increase of USD 5.67 per bbl, or 17% compared to the second quarter. Compared to the second quarter, there was a slight increase of 1% for mogas 95 and 92, kerosene, gasoil 10 ppm and gasoil 50 ppm, whereas gasoil 500 ppm rose by 2% to USD 54.62 per bbl.
Refiners margin compared with Dated Brent

Asian refining margins tumbled to their lowest in Q3.2016 compared to the last six months. For mogas 97, 95 and 92, prices were reduced by 37%, 42% and 48% respectively, compared to Q1.2016. Gasoline production is expected to decline by 500,000 barrels due to closure of the major pipeline between Houston and New York Harbour in USA and the Brexit vote. These are two crises that contributed to the Platts analysis in determining price. For Q3.2016 in comparison to Q2.2016, the refiners margin declined for all petroleum products, with mogas 97, 95 and 92 recording the biggest drop – 26%, 26% and 31% respectively. Kerosene, diesel 10 ppm and diesel 500 ppm for this period were reduced by 2%, 4% and 2% respectively.

Freight rates

The Clean Tankwire spot freight rates from Singapore to Australia weakened in the third quarter in comparison to the previous quarter. The average freight rate decreased by 3% from USD 21.82 per metric tonne in the second quarter to USD 21.13 per metric tonne in the third quarter. The Singapore-Australia route was assessed at 171.93 worldscale points: a decrease of 3% from the previous quarter. This may be subject to the increasing competition stemming from abundant vessel supply and a decrease in demand.
Exchange rates

In the third quarter French Pacific (XPF) and Samoa (WST) currencies depreciated while other major PICT currencies appreciated such as Australia (AUD), New Zealand (NZD), Fiji (FJD), Papua New Guinea (PGK), Solomon Islands (SBD), Tonga (TOP) and Vanuatu (VUV) due to increasing economic activity in the third quarter resulting in economic growth for PICTs.

Data Sources:
1. Exchange rates are sourced from www.oanda.com
2. LPG price is sourced from http://gasenergyaustralia.asn.au/
3. Prices for diesel, gasoline and jet/kerosene prices are provided by Platts (The McGraw-Hill Companies, Inc).

Historical reports:
Historical fuel and LPG review reports can be downloaded from the SPC PRDR Energy Portal by typing ‘price reviews’ in the Search Box of the Library: http://prdrse4all.spc.int/list/publication?keys=price+reviews

Abbreviations and glossary
bbl = barrel (of oil)
ppm = parts per million
RON = Research Octane Number
MT = metric tonne
OPEC = The Organisation of the Petroleum Exporting Countries
MOP = Means of Platts Singapore