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 first two quarters of 2016 based on monthly averages of published daily Mean Platt’s Singapore (MOPS) benchmark prices.

First and Second quarter 2016 Oil Market Report (January – June 2016)

Petroleum fuel is an international traded commodity and as such its price varies on a daily basis. It is influenced by a myriad of factors including the underlying cost of the crude oil used to produce it, the supply/demand of the Asia Pacific region and also of other world markets, significant world-wide weather events and geopolitical conditions in oil producing countries.

During the fourth quarter of 2015, Dated Brent crude oil, reached its cheapest since 2008 – 2009 during the Global Financial crisis. In comparison with this, the price of Dated Brent crude oil in the first quarter of 2016 decreased by USD 9.75/bbl from USD 44.86/bbl to USD 35.10/bbl. Similarly, Dated Brent crude oil decreased by USD 7.35/bbl from USD 39.25/bbl in December 2015 to USD 31.90/bbl in January 2016. In a nutshell, this decreasing trend comes down to too much supply and too little demand. China’s economic slowdown has curbed appetite for commodities in general, while Saudi Arabia, which produces a third of the OPEC cartel’s output, is keener on preserving its market share than it is on cutting production to boost prices. At the same time, the rise of the US as a shale oil producer means it now imports less oil, adding to the glut on world markets.

However the trend changed in the second quarter of 2016, showing an increase of USD 11.28/bbl from USD 35.10/bbl to USD 46.39/bbl. Similarly between May and June, Dated Brent crude oil price increased by USD 2.30/bbl from USD 47.28/bbl to USD 49.57/bbl. This emerges as a result of petroleum outages in Nigeria and Canada as well as the steady decline in US oil production. (IEA Oil Market Report) The outages have taken nearly 2 million barrels a day off the market and sent crude oil prices rallying. Since January 2016, the price of Dated Brent has moved up by more than 50%, from 31USD/bbl to 50USD/bbl in June. The overall increase in petroleum product price was therefore largely influenced by increase in international crude price.
January recorded the lowest price in crude oil and the refined petroleum products with a barrel of Dated Brent trading at USD 31.90. June saw crude oil prices rallied to a 2016 high of USD 50/bbl compared to USD 47.28/bbl in May. Data shows that June marks the fifth straight month of consistent average price increases in the wake of recent stronger-than-expected oil demand growth and unexpected supply cuts, such as the Canadian wildfires and militant action in Nigeria and Libya that has dramatically cut output. The Asian gasoline market (97, 95, 92 RON) in the 1st quarter was hovering around USD50/bbl ($46 – $51 a barrel), compared to June when the price shot up to 2016 high above USD 61.44/bbl (ranging from $56 - $61 a barrel). This was due to the excess supply from huge arbitrage arrivals between March and April. Also refineries in North Asia were producing gasoline at higher rates due to healthy light-end margins. The Asian jet fuel market also increased by 29% from USD 42.29/bbl in first quarter to USD 54.39/bbl in the second quarter due to weak demand in the middle of a seasonal lull in the region. The market was under pressure from an overhang in regional supply. Fundamentally, Asia was still oversupplied with not enough demand within or outside the region. The Asian gasoil market also increased by an average of 32% between the first 2 quarters due to declining consumption, especially in Indochina as the monsoon season reduced consumption by the industrial and agricultural sectors. There is a lack of demand in the region and the monsoon will last until August.
Freight Rates

Refined petroleum fuels are bulk shipped in ‘Clean Tankers’ to make a distinction with ‘dirty’ bulk crude oil tankers. The freight market weakened in the second quarter in comparison with the previous quarter. This translates to a decrease in the overall freight component for this month’s fuel prices. Average freight rates decreased by 0.60% from 21.95 USD/mt in the first quarter to 21.81 USD/mt in the second quarter. The Singapore-Australia route was assessed at 178.61 worldscale points, a decrease of 0.59% from the previous quarter. Freight rates decreased as a result of surplus vessel availability amidst a weaker market activity that was unable to absorb the available vessels.

Exchange Rates
During the first quarter, the Australian and Fiji dollar appreciated against the US dollar while the other major PICT currencies depreciated with the Samoan Tala and Solomon dollar remain relatively unchanged. In the second quarter, the Australia, New Zealand and Fiji dollar along with the Solomon dollar and Tonga Pa’anga appreciated against the US dollar, while all other major PICT currencies depreciated.

**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](http://prdrse4all.spc.int/list/publication?keys=price+reviews)

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

**Abbreviations and Glossary**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>bbl</td>
<td>Barrel (of oil)</td>
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<tr>
<td>ppm</td>
<td>Parts per million</td>
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<tr>
<td>RON</td>
<td>Research Octane Number</td>
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<tr>
<td>MT</td>
<td>Metric Tonne</td>
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<tr>
<td>USD/bbl</td>
<td>US dollars per barrel</td>
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Note: For detailed explanation of terms used in this report please download petroleum glossary from SPC’s PRDR link: [http://prdrse4all.spc.int/node/1523](http://prdrse4all.spc.int/node/1523)

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