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## Iran stores abundant fuel oil on supertankers

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Reuters reported that Iran has been storing straight run fuel oil on supertankers for at least 3 months in an unprecedented move prompted by China's poor feedstock demand and financing difficulties faced by buyers due to Western sanctions.

Traders said that at least 550,000 tonnes to 600,000 tonnes, 2 full VLCC loads are being held at sea at any one time. So far, 2 cargoes have been sold and delivered into Singapore on board Very Large Crude Carriers, a shift from its normal practice of using 80,000 tonnes Aframax.

They said that demand from teapot refiners in southern China which used to buy 2 to 3 cargoes a month some two years ago have dried up. Since January, only one cargo was lifted by a Chinese player Tianbao in April.

The unusual move by Iran was also prompted by increasing difficulty faced by some term buyers in getting credit from Western banks for trade with Iran due to sanctions. Iran has been storing crude oil on tankers in recent years.

At least one of the VLCCs carrying straight-run fuel oil from Iran's Bandar Mahshahr port has landed in Singapore for the first time while a second is on the way, increasing supplies in a weak Asian market damped by poor sentiment.

A Singapore based Asian trader said that National Iranian Oil Company have been unusually flexible with their fuel oil recently as long as buyers are keen, prompt loading dates and the size of the cargoes are not a problem. That's because they are floating the oil on their VLCCs and it's ever ready for loading. For example, Iran can still move to load for prompt mid-September shipments.

The second parcel is on board the 270,000 tonne Nesa which is expected to land Singapore on September 10th 2010 and chartered by China's Zhenrong which had been a term buyer of the 280 centistoke Bandar Mahshahr cargoes before this year. The first cargo which was loaded on board the 'Dadgar' in June, was sold to term buyer Shell, who normally lifts 2 to 3 Aframax in a month mainly as feedstock.

(Sourced from Reuters)

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