

## **Fairplay**

### **Consolidation trend in bunker sector continues**

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Two themes were in evidence with the recent acquisition of OceanConnect's marine fuel group by Singapore-listed global bunker supplier Chemoil.

Industry analysts have noted a growing trend towards consolidation in the bunkering industry among independent players. Companies are looking for greater integration in both retail and supply, and in customer reach. The Chemoil deal is good evidence of this process.

The \$25M deal was confirmed on 3 January where Singapore-listed Chemoil would add OceanConnect's "team of experienced bunker brokering and trading employees and staff" to its own supply operations. OceanConnect's CEO Tom Reilly was made Chemoil's CEO with former Chemoil chief executive Mike Bandy staying on as chairman. Crucially for Chemoil, the deal is expected to add 8-9M tonnes of annual sales, which could be around a 60% increase against 2010 volumes – Chemoil sold 11.5M tonnes in the first nine months of 2010 and a total of 15M in 2009.

Chemoil has seen sales volumes increase in Singapore and Fujairah (where it has undertaken to expand storage facilities) and posted net profits in 2Q10 and 3Q10 to start to offset the \$13.5M loss in the first quarter of the year.

In the Americas, low margins are a particular issue and Chemoil's operations include New York, Houston and the Panama Canal. Suppliers in these markets regularly face minuscule sales price margins over resupply costs. Some major players have simply given up – Chevron effectively dropped out of the supply business in these ports in 2010.