

TOTAL is investing \$1.5bn in its large Antwerp refinery to boost diesel production at the expense of heavy fuel oil, helping to address the vexing issue of Europe's shortage of diesel.

The French energy major's move, reported by the international media, is significant for European shipping because environmental regulations mean vessels will require ever greater quantities of diesel for use as bunker fuel instead of dirtier heavy fuel oil.

Concerns have been raised that the shortage of European diesel will create headaches for shipowners refueling in bunkering hubs such as Rotterdam.

Total's reported investment in Europe's second-largest refinery, therefore, should ease some of those fears, as more diesel will be available as bunker fuel, say experts.

It could have a knock-on effect, whereby more big-name refiners follow suit and boost diesel production while scaling back output of dirtier oils traditionally used as bunker fuel.

"It absolutely makes sense," said IMA Marine boss Ian Adams, referring to less heavy oil being produced from Total's 350,000 barrel per day Antwerp refinery in favour of diesel.

Mr Adams cited a study conducted some years back that claimed Europe was short of diesel by 22m tonnes per year.

In light of this shortfall, Europe imports diesel from the US Gulf on medium range product tankers.

The US, however, now needs more of its domestic diesel because environmental regulations have kicked in there. A new US emissions control area requires ships to burn low-sulphur fuel, such as diesel, rather than more polluting heavy fuel oil.

Fewer diesel cargoes exported from the US will put further pressure on European refiners to boost diesel production to meet growing demand from shipping, according to industry insiders.

The flipside of further European diesel output, however, will be reduced diesel imports into Europe on product tankers.

This would be a blow for product tankers because some have pinned hopes on a surge in activity over the coming years as Europe imports more diesel to meet stringent green bunker-fuel regulations.

Those imports would come from Asia and the Middle East, boosting tonne-mile demand for product tankers due to the long haul voyages.

The refining industry's centre of gravity is still shifting inexorably to Asia and the Middle East. But perhaps some shine will be taken off rising tonne-mile demand forecasts if European diesel production rises, say analysts.

Total did not respond to a request for comment by the time of going to print.