Ecoslops prepares to build on early momentum

Paris-headquartered Ecoslops, which upgrades oil residue waste into new fuels and products and provides a circular, sustainable and traceable solution for the collection and treatment of hydrocarbon waste, has begun 2018 with the news that plans to explore market potential at the Suez Canal have received a fillip with the signing of an MoU with the Suez Canal Economic Zone to undertake a detailed feasibility study – an agreement which has the backing of the French government. Ecoslops CEO Vincent Favier gave *Bunkerspot* a progress report on the company's current projects and an insight into its future plans.

The company already has a slops treatment facility at Sines in Portugal and has an agreement in place with Galp under which the oil company purchases the refined cut of slops from the Ecoslops micro-refinery unit for use in its own refinery.

Following an agreement with the French oil major Total last year, Ecoslops is also pressing ahead in 2018 with the construction of a residue processing unit in Marseille, and this project will be closely followed by the development of a large-scale processing facility in Antwerp. Studies into the commercial feasibility of developing units in other international markets are also underway, or in the pipeline

Could you give an overview of the performance of Ecoslops' Sines operations in 2017?

Galp is now our main client in terms of turnover – they are buying our highest product in terms of quality, which is gasoil, and we ran close to 20,000 tonnes of slops last year in Sines, which is a very good performance.

We are profitable at the EBITDA and the EBIT level – and that is ahead of our plans, because 2017 was really only the first full year of production.

We have been able to treat high flash and low flash waste, which is also significant for us because the plant was meant to treat high flash point, but some oily residue waste is low flash point because it is contaminated by products such as gasoline or naphtha.

This is good news for the future because for the next plants in Marseille and Antwerp we will be able diversify our supply from maritime slops and sludge toward contaminates and waste coming from oil depots and tanking or oil pipelines or storage farms.

Do you have a timeline for moving into these other markets?

We are already starting to treat some of them in Sines, and in Marseille, when we open the plant, I think 50% of the production will come from this second source of supply. So that's very soon and very complementary [to our maritime business].

Could you estimate the potential business split for Ecoslops between processing maritime-derived waste and residue from other sectors?

The market is huge for the land-based contaminates. They have more value so only a fraction of it will be acceptable to use for commercial reasons – some of them are too expensive for us to buy. But for our new plants in Antwerp and Marseille, it may be a 50/50 supply. [In practice] this means that if we only have a maritime supply then we will do 100% maritime – but if we can get access to this other supply we will be technically able to treat it.

In Sines, the slops are supplied to Ecoslops by MSC and the Galp subsidiary, CLT. Do you have supply agreements in place there with other companies?

No, not really, because the biggest shipowner by far is MSC. CLT is an affiliate of Galp and it manages the oil terminal where the tankers are coming in for the Galp facility and to the Repsol plant and so these vessels also generate contaminates.

MSC and CLT are suppliers of waste and Galp is a customer; we resell the gasoil to Galp and last year we built a small dedicated pipeline between our tanks and the Galp refinery.

The other agreement that we have in Sines is with Soprema, which manufactures bituminous membrane for roofing in the construction industry. We have an exclusive agreement with them to supply light bitumen.

Could you outline Ecoslops' plans for the new micro-refinery in Marseille?

We plan to begin the micro refinery in the first quarter of 2018. We are waiting for the permitting [agreements] but, in the meantime, we are already buying some long lead items and equipment so as not to waste time.

We are in line with the planning and with the budget. It will be a more sophisticated plant in comparison with Sines because in this one we will also be able to produce some naphtha, as well as light bitumen, fuel oil and gasoil.

All the naphtha will be bought by Total – we have an exclusivity agreement with them – and Soprema will buy all the light bitumen. The fuel oil will be sold to local industry and the gasoil, I think, will be sold to a bunker company and we are still discussing with various potential off-takers. Nothing is decided yet on that front. The projected output of the Marseille refinery is 30,000 tonnes a year.

Is there already an agreement in place with a bunker supplier?

We are still a little far out from the opening of the refinery, so we still have time. We are in discussion but want to keep all the options open until the start of the plant next year.

Following the signing of a Letter of Intent last March with SSCO, a subsidiary of Egyptian General Petroleum Corporation (EGPC) and the recent MoU with the Suez Canal Economic Zone, Ecoslops' plans for this region seem to be moving forward. Do you have a timescale for any potential development in Suez?

The objective is to have the result of the feasibility study by this summer and then we will see what we are going to do. We want to take sufficient time to analyse the market and the potential before making any decision, but the good thing is that we are working with the support of the French government, EGPC and Suez Canal – they really want to see this solution brought to the Suez Canal. At Ecoslops, we really have to see the economic and the commercial conditions are there for such an investment.

Are you considering the construction of a large-scale refinery at the Suez Canal?

That is to be seen. The first thing is to look at the collection of the slops which have to be upgraded to in-service quality, and then there is the first step of the treatment of the slops – to decant and separate the water from the oil – and then follows the Ecoslops treatment. In practice, we could envisage having a mini 2PR for one or two years, and then if the market is really there we could build a full-scale plant. We have some flexibility with the mini 2PR, which is a mobile unit, compared to the PR which is a much bigger investment decision.

We have to make sure that we make plant investments in areas, regions and ports which have the potential and stability to support them.

The study phase for the Antwerp project was scheduled for completion by the end of 2017. Is this initiative still on track?

Yes – we have finished the pre-feasibility study phase and we are now looking in more depth at the engineering details. We will then start the environmental and permitting studies, and the intention is to file for the permits in the second half of the year and to be running nine months behind the schedule for Marseille.

We want to be in a position to open Antwerp in late 2018 following the opening of Marseille in early 2018.

A presence in Antwerp moves you into the very big ARA market. What sort of volumes are you looking at from this plant?

For this one we are targeting 60,000 tonnes; twice Marseille and, potentially, it could be even higher.

Are you continuing to see an increase in the average selling price per tonne of Ecoslops' refined product?

Yes, it is still the case because we are producing more and more gasoil – which is the best product in terms of selling price – and less fuel oil.

On top of that, the oil barrel price is now higher, so that's the second reason for an increase in our selling price. When we will produce naphtha, the mix will continue to improve.

In your interview with *Bunkerspot* in mid-2017, you identified Singapore and Panama or Colombia as potential new markets. Has there been any progress on this front?

We have done a first visit to Colombia to see most of the players there, including Ecopetrol, shipowners, and the port authorities in Cartagena. We think there is a more of a market in Colombia, because it would be easier to put a plant in Cartagena than in Panama.

For Singapore, we have asked a consultant to undertake a mapping of the market and potential opportunities, but that is probably for next year.

Are there any potential opportunities in the North American market?

Not yet, no. We have nothing in the pipeline in North America. We have also looked at Canada, but we didn't find a local partner for cooperation.

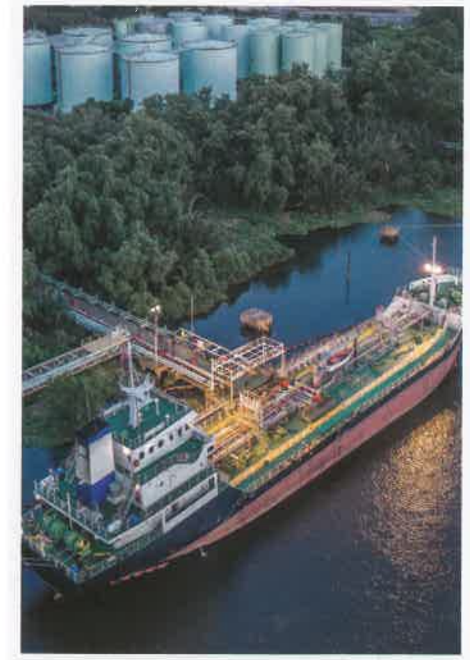
We have had some discussion about opportunities for mini P2Rs in India, Australia, Oman, some Caribbean islands and in North Africa. This is a diversification towards small ports, with an adequate new technical solution (mobile, easy to use, and able to treat 3,000-5,000 tons per year). We think there is a massive need and we have decided to build a prototype this year to go into this market quicker.

In conclusion, could you give an overview of the end markets for the fuel oil and gasoil that Ecoslops produces?

The fuel oil that we produce is not used in the bunker industry – it is used by industrial plants. For example, we are selling it in Portugal to Electricidade do Portugal for its thermal plant. But the quantities are so limited; out of 30,000 tons, we are producing 4,000-5,000 tons of fuel oil.

The opposite of this is the gasoil we are producing, which is 0.3% sulphur. In Sines, it is going to Galp, so it is not going directly to the bunker industry. But in Marseille or Antwerp, it could be blended or incorporated as a bunker fuel.

But we are very pragmatic, so if we have better options than the marine fuels market, such as selling to a refinery or to a thermal plant, we will do it. If the best buyers are the bunker companies, then we will sell it to the bunker companies! ■



Scrubber adopters and fuel suppliers discuss fixed price heavy fuel oil contract options

Ship operators operating with exhaust gas cleaning systems (EGCS) are reportedly negotiating five-year deals with fuel suppliers for a minimum spread between residual and distillate marine fuel once the 0.5% global sulphur cap enters into force in 2020.

Speaking to *Bunkerspot* at the beginning of January, a senior executive at a leading classification society, who requested anonymity, said the organisation had been made aware of such discussions by a tanker operator.

'The operator negotiates with a fuel supplier the fuel price spread between marine gasoil (MGO) and the HFO at a fixed price for the period 2020-2025,' he explained.

'So, whatever the price of the MGO, they will get HFO – to use with their installed SOx scrubbers – at a price of $140-$145 per metric tonne lower on specific locations for at least for five years after 2020.'

It is widely believed that the majority of shipowners and operators will opt to burn compliant MGO or low sulphur fuel oil in order to meet the upcoming sulphur regulation. However, in recent years, LNG as well as HFO used in conjunction with an EGCS have emerged as alternative means of complying with the regulation.

For shipowners considering investing in scrubber technology, uncertainty over HFO availability and the price differential between residual and distillate bunker fuel is thought to be one of the biggest concerns. ■