

#38-

European Marketscan

Volume 40 / No 122 / June 25, 2008

European products

\$/mt

Mediterranean cargoes

	Data code	FOB Med (Italy)	Data code	CIF Med (Genova/Lavera)
Premium gasoline 50 ppm	AAQPW00	-30.00 1112.50 - 1113.50 -30.00	AAQPX00	-29.25 1134.00 - 1135.00 -29.25
Naphtha (1)	PAAD100	-38.75 1043.25 - 1043.75 -38.75	PAAAH00	-38.50 1075.25 - 1075.75 -38.50
Jet	AAIDL00	-31.75 1265.25 - 1266.25 -31.75		
Diesel 50 ppm (2)	AAQCC00	-33.25 1210.50 - 1211.50 -33.25	AAQCD00	-33.00 1236.50 - 1237.50 -33.00
Gasoil 0.2%	POAAB00	-32.50 1179.50 - 1180.50 -32.50	POAAA00	-32.50 1216.00 - 1217.00 -32.50
Gasoil 0.1%	AAVJ100	-33.50 1204.50 - 1205.50 -33.50	AAVJ000	-33.50 1235.00 - 1236.00 -33.50
Fuel oil 1.0%	PUAAK00	-13.75 687.00 - 688.00 -13.75	PUAAL00	-12.50 711.00 - 712.00 -12.50
Fuel oil 3.5%	PUAAZ00	-13.75 604.00 - 605.00 -13.75	PUAAY00	-12.50 628.00 - 629.00 -12.50
Jet FOB Med premium	AAIDN00	20.00 - 21.00		

Northwest Europe cargoes

		FOB NWE		CIF NWE/Basis ARA
Premium gasoline 50 ppm	AAJH000	-40.00 1112.00 - 1113.00 -40.00	AAJL000	-40.00 1128.00 - 1129.00 -40.00
Premium gasoline Non Oxy	AAVJ000	-40.00 1133.00 - 1134.00 -40.00		
Premium gasoline 10 ppm	AAOPY00	-40.00 1115.00 - 1116.00 -40.00	AAOPZ00	-40.00 1131.50 - 1132.50 -40.00
Fuel Grade Ethanol			AAYS000	590.00 - 591.00
Regular gasoline 50 ppm	AAUL000	-40.00 1105.00 - 1106.00 -40.00		
Naphtha (Jul)			PAAD100	-37.50 1089.00 - 1089.50 -37.50
Naphtha			PAAL000	-38.25 1091.25 - 1091.75 -38.25
Jet	PJAAV00	-31.50 1289.50 - 1290.00 -31.50	PJAAU00	-31.50 1303.75 - 1304.25 -31.50
ULSD 10 ppm			AAVJ000	-35.75 1232.50 - 1233.50 -35.75
Diesel 10 ppm	AAKWR00	-35.50 1216.25 - 1217.25 -35.50	AAKWP00	-35.50 1232.00 - 1233.00 -35.50
Diesel 10 ppm UK			AAVBH00	-35.75 1237.75 - 1238.75 -35.75
Diesel 50 ppm	AAQQA00	-35.50 1212.00 - 1213.00 -35.50	AAQQB00	-35.50 1231.50 - 1232.50 -35.50
Russian gasoil 0.2%			AAQZ000	-32.50 1194.00 - 1195.00 -32.50
Gasoil 0.2%	POAAD00	-32.00 1161.75 - 1162.75 -32.00	POAAC00	-32.00 1182.00 - 1183.00 -32.00
Gasoil 0.1%	AAVWR00	-32.50 1191.50 - 1192.50 -32.50	AAVWS00	-32.50 1211.75 - 1212.75 -32.50
Fuel oil 1.0%	PUAAM00	-11.50 676.50 - 677.50 -11.50	PUAAL00	-12.00 695.25 - 696.25 -12.00
Fuel oil 3.5%	PJABA00	-13.75 578.25 - 579.25 -13.75	PJABA00	-14.25 599.75 - 600.75 -14.25
Straight run 0.5-0.7%	PKABA00	-24.50 775.50 - 777.50 -24.50		
VGO 0.5-0.6%	AAHMZ00	-32.50 917.00 - 919.00 -32.50	AAHMZ00	-32.50 926.00 - 928.00 -32.50
VGO 2% max	AAHND00	-27.00 894.00 - 896.00 -27.00	AAHND00	-27.00 903.00 - 905.00 -27.00

Northwest Europe barges

		FOB Rotterdam	
98 RON gasoline 10 ppm	AAKQD00	-40.00 1172.00 - 1173.00 -40.00	
Premium gasoline 10 ppm	PGABM00	-40.50 1113.25 - 1113.75 -40.50	
Regular gasoline 10 ppm	AAKQF00	-35.00 1125.00 - 1125.50 -35.00	
Fuel Grade Ethanol	AAQDT00	576.00 - 577.00	
MTBE	PHARZ00	-30.25 1239.75 - 1240.25 -30.75	
Naphtha	PAAMQ00	-38.25 1087.25 - 1087.75 -38.25	
Jet	PJABA00	-34.00 1298.75 - 1299.25 -34.00	
Diesel 10 ppm	AAJUS00	-32.25 1226.75 - 1227.25 -32.25	
Gasoil 0.2%	POAAG00	-32.50 1187.25 - 1187.75 -32.50	
Gasoil 0.1%	AAVWT00	-31.75 1203.50 - 1204.00 -31.75	
Biodiesel	AAWGY00	1700.00 - 1710.00	
FAME 0	AAQOL00	1600.00 - 1610.00	
Fuel oil 1.0%	PJAAV00	-22.50 677.50 - 678.50 -22.50	
Fuel oil 1.5%	AAAXR00	-14.25 651.75 - 652.25 -14.25	
Fuel oil 3.5%	PJABC00	-14.25 602.75 - 603.25 -14.25	
Rotterdam bunker 380 CST	PJAYW00	-14.00 610.00 - 615.00 -13.00	
VGO 0.5-0.6%	AAHNF00	-32.50 922.00 - 924.00 -32.50	
VGO 2% max	AAHNI00	-27.00 900.00 - 902.00 -27.00	

ICE futures

Platts ICE gasoil assessments*

(16:30 London time)

Jul	AAJIN00	1205.00
Aug	AAJIC00	1209.75
Sep	AAJIF00	1216.50

ICE gasoil settlements

Jul	1206.25	Oct	1224.25
Aug	1211.25	Nov	1228.50
Sep	1218.25	Dec	1232.50

ICE gasoil GWAVE (Previous day s values)

Jul	1241.75
Aug	1245.75

ICE Brent

Aug	AAVES00	132.56
Sep	AAVET00	133.17

1) Naphtha FOB MED is basis East Med. 2) 50 ppm ULSD FOB and CIF Med reflect diesel (EN590) with max 50 ppm sulfur, in line with EU regulations in effect from Jan 1, 2005. 3) Cargoes CIF NWE Fuel Grade Ethanol in \$/CM 4) Barges FOB Rotterdam Fuel Grade Ethanol in Eur/CM

* Platts ICE gasoil assessments reflect the closing value of the ICE gasoil contracts at precisely 16.30 London time.

Table 5: Bids Received and Negotiated by the FPC in 2008

FPC Meeting [Fuel Type]	Bidders	Bidder Price	Negotiated Contract Price
25 February 2008 [Fuel Oil]	Totsa	+2.75 USD/MT (0.7%) / -6.00 USD/MT (1%)	+0.00 USD/MT (0.7%) / -6.50 USD/MT (1%)
	AOT	+10.95 USD/MT (0.7%)	
	Vitol	+21.00 USD/MT (0.7%) or 538 USD/MT (0.7%) / +15.00 USD/MT (1%) or 532 USD/MT (1%)	
	Lja Oil S.A.	No offer submitted	
	BB Energy	No offer submitted	
	Shell Trading Rotterdam B.V.	+12.00 USD/MT (0.7%) / -1.50 USD/MT (1%)	
	Trafigura	+22.75 USD/MT (0.7%) / -3.50 USD/MT (1%)	
27 February 2008 [Diesel]	Totsa	-3.75 USD/MT (Option 1) & +9.00 USD/MT (Option 2)	-5.85 USD/MT
	BB Energy	+6.50 USD/MT	
	ERG Raffinerie Mediterranee S.p.A	+2.00 USD/MT (Option 1) & +8.00 USD/MT (Option 2)	
27 February 2008 [Gasol]	Totsa	-3.50 USD/MT	-5.85 USD/MT
	BB Energy	+6.50 USD/MT	
	ERG Raffinerie Mediterranee S.p.A	-2.00 USD/MT	
06 May 2008 [Light Heating Oil]	Fairdeal S.A.	+11.75 USD/MT (Option 1) & +25.75 USD/MT (Option 2)	Contract was not available for review
	AOT Trading	+17.00 USD/MT	
	Rixco International Trading	85.8% Platt's (Option 1) & 84.8% (Option 2)	
26 May 2008 [Gasoline]	Lukoil	+44.80 USD/MT	
	BB Energy	No offer submitted	
	Totsa	+20.80 USD/MT	+20.50 USD/MT
25 June 2008 [Jet A1]	Litasco	Various (Note below table refers)	
	BP Oil International Ltd	+19.65 USD/MT	
	M/OCH S.A	+12.00 USD/MT	
	Global Integrated Solutions Ltd	Bid not quoted	
	Totsa	+36.75 USD/MT	+35.50 USD/MT
	BB Energy	No offer submitted	

Notes:

Litasco's bid for the Jet A1 tender reviewed at the FPC meeting dated 25 June 2008 was as follows:

Option 1 – July 2008 +45.25 USD/MT, September 2008 +41.00 USD/MT & November 2008 +39.25 USD/MT

Option 2 – July 2008 +62.75 USD/MT, August 2008 +62.75 USD/MT, September 2008 +58.50 USD/MT, October 2008 +58.50 USD/MT, November 2008 +56.75 USD/MT, December 2008 +62.75 USD/MT & February 2009 +62.75 USD/MT

most favourable bid. Nonetheless, NAO noted one instance, relating to the FPC meeting dated 22 January 2009, where the original bid submitted by Totsa with respect to the supply of gasoline was extremely close, in terms of premium, to the bid submitted by Fairdeal S.A. (Table 6 refers). Although the bid submitted by Fairdeal appears to have initially been more favourable, the FPC chose to negotiate with Totsa, eventually closing at a rate close to Fairdeal's original submission. No record detailing or explaining this course of action was made available to NAO, barring a brief explanation submitted by Enemalta regarding credit terms. Enemalta stated that Totsa offered an additional 30-day credit period, that is 60 days in total, albeit against an interest rate charge, whereas Fairdeal quoted payment terms of 30 days.

2.1.21 The first instance when the selected tender bid was, prima facie, and based on the premium variable only, not the most favourable, relates to the FPC meeting held on 25 June 2008. Here the Jet A1 fuel tender was again awarded to Totsa, despite the fact that BP Oil and MOCH S.A. had submitted what appear^x to have been more favourable bids. Once again, NAO was not able to determine the basis of the Committee's selection, given that no record of the Committee's discussions or workings were retained on file.

2.1.22 When queries were raised with the Corporation in respect to the above, Enemalta stated that the offers submitted by BP Oil and MOCH S.A. quoted a pricing basis on the average of the Cost Insurance Freight Northwest Europe (CIF NWE) Jet A1 quotations, whereas Totsa offered pricing based on the average of the Free On Board Mediterranean (FOB MED) Jet A1 quotations. According to statements made by Enemalta, at the time, the price differential between the FOB MED and CIF NWE quotations stood at \$38/MT (the FOB MED quotation being cheaper than the CIF NWE). This, was in Enemalta's view, a possible explanation as to why the FPC considered the Totsa offer as more attractive than the other received bids. However, NAO's review of

Ask!!!

NAO did not ask to visit

* Things are OK they are not

relevant documents did not indicate any workings or calculations in line with the above justifications put forward by Enemalta.

- 2.1.23 Similar instances arise with respect to the FPC meetings dated 18 May 2009, 20 July 2010 and 19 November 2010. In the 2009 case, Totsa was awarded a tender for the supply of gasoil, when Baraca International Corporation had submitted a far more favourable bid. The integrity and validity of this bid might have been a concern to the Committee given the significant variance from all other bids; however, no record of such concern, or explanations indicating why this bid was not to be considered were retrieved on file.
- 2.1.24 Notwithstanding the above, when further queries were raised, Enemalta stated that Baraca International Corporation made reference to D2-Gas Oil, L-O,2-62 Gost 305-82, which was a Russian specification that was unknown to the Corporation, and did not fit the mandatory product specifications established through this particular tender. Furthermore, Enemalta stated that no other details were provided in relation to the other important required mandatory clauses.
- 2.1.25 Similar concerns abound with respect to the July 2010 case, in which circumstance the accepted bid by BB Energy was not the most favourable. In this case, Baikal Business Company Limited submitted a bid with a far more favourable premium, once again, significantly lower than all other bids received. Doubts regarding the validity of such a bid, or explanations attesting to why such a bid was not favourably considered were not retrieved on file, and the only note to this effect stated, "*No specific details were given as required by issued tender.*" In effect, review of the tender document indicated that the majority of its text was in the Russian language, except for details relating to the quantity to be supplied, payment terms and the Platts discount. The Hemok Polska November 2010 case, vis-à-vis ADM International Sarl followed similar patterns.