The strengths and limitations of AI

Dynamar's **Michele Camm** examines how the bunker credit industry is adapting to changing market dynamics and the growing use of AI

With current net profitability in the bunker market typically running below 1% following years of prosperity and remarkable shifts in market dynamics, times are tough in bunker credit. As we navigate the challenges ahead, artificial intelligence (AI) will bring welcome firepower to marine fuel credit risk management. But human judgement based on instinct, deep contextual knowledge and accountability will remain the cornerstone.

A leading bunker trader recently reported a 26.2% decline in gross profit in Q1 2025 due to lower fuel prices, reduced volatility, and a drop in reselling demand and margins. This is typical of what we are seeing across the bunker market, in which net profitability below 1% is now the norm. We've entered 2025 in a lower-volatility environment. Crude oil prices are down, bunker spreads are narrower, and volatility – once a lifeline for margins – is fading. Bunkering has become a cheap source of finance. Commercial pressures are driving up leverage through bank loans and supplier credit, amplifying counterparty risk. Times are tough in the bunker credit industry, and likely to continue that way for the foreseeable future.

This is in sharp contrast to the prosperity of the last 10 years, when bunker traders benefitted from significant volatility and price inflation. Remarkable shifts in market dynamics followed price disparities between different ports and products, regulatory changes and other disruptions. The inception of IMO 2020 and regulatory initiatives to reduce carbon emissions to zero by 2050 generated interest from large commodity traders such as Trafigura, Mercuria, and Vitol, who grew market share from 12% (2022) to almost 20% (2024), whilst larger independent physical suppliers and resellers reduced from 24% (2022) to 19% (2024). Oil majors, who once dominated the bunker industry, reduced market share to less than 15% over this time.

Today, 30 bunker companies control around 73% of the market. The remaining 27% (c. 60-62 million tonnes) is made up of hundreds of smaller traders and niche suppliers. Smaller players in particular are vulnerable to illiquidity and insolvency, as they compete for margins on payment terms, and increase leverage through financing to maintain market share. With current commercial realities, these market dynamics are now a material threat to the industry. Strong credit risk management, always important, has become existential.

Against this backdrop, the arrival of AI to rocket boost risk analysis and management promises significant relief. AI is already bringing new value to credit work and has the potential to positively disrupt an industry under huge pressure. But it will be the judicious application of AI technologies to complement and enhance human judgement in credit risk analysis and management that will be the hallmark of success.

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AI is already able to track patterns, flag inconsistencies, calculate ratios, screen sanctions lists, and generate preliminary credit limits based on structured criteria. It excels at identifying patterns and anomalies in structured data and its capacity to do this efficiently and effectively is growing rapidly. It is playing an increasingly important role in credit rating development and collaborative credit tools, enhancing speed, consistency, and early-stage analysis. Once trained on robust data, AI can rank companies much faster than was possible using traditional methods.

But comprehensive risk analysis still relies heavily on human insight. When a well-performing company adjusts its buying behaviour in a way that defies market logic, or seeks longer terms on Mediterranean ultra low sulphur fuel oil (ULSFO) without a clear operational reason, experienced professionals notice these as early warning signs. A subtle shift in a trader's tone or a change in a director's phrasing often carries meaning beyond what numbers reveal. The figures may be accurate, but the context around them, including the decisions, motivations, and behavioural shifts often tell a fuller story. In some of the most well-known bunker defaults, the financials looked sound up to the end. The issue wasn't faulty data, but incomplete perspective. A Singapore-based operator recently filed for bankruptcy with $19 million in outstanding debt. Its creditors included bunker traders, container lessors, and ship owners. The trigger wasn't poor historical performance, it was a rapid decline in freight rates and a fragile business model. Financial figures may have been dated or unavailable. A credit professional could have seen it coming the moment the company started negotiating too many extensions simultaneously.

System-enabled compliance tools and automated checks have earned their place, especially when it comes to screening shareholders, vessels, and company structures against sanctions databases. Many traders use credit insurance, standardised limit frameworks, and supplier-backed financing

structures. Those are essential components of a modern risk platform. But final decisions for the most part still come down to human interpretation: Is this client behaving as they normally do? Is their explanation logical or are they reacting to market shifts in a way that suggests panic?

Most credit professionals in the bunker world draw on instinct, intuition and experience as well as systematic analysis. AI can accelerate, deepen and triangulate that analysis. But a balance sheet can look clean, when the shipowner behind it is balancing five conversations about deferred payments. Financial statements can show profitability, even as the tone of an operator's emails starts to shift subtly from confident to placating. These are important elements of credit intelligence beyond current AI capability. Crucially, credit professionals rely on relationships. In bunker trading, long-standing client relationships and professional networks often yield information that no software can replicate. A trader might casually mention a payment delay over lunch. A supplier might hint at tightening cash flow in passing. These fleeting moments often serve as early warning signs. They surface in an environment where credit professionals are paying attention – not just to documents, but to people. This is where we particularly see the limitations of AI-based tools for the foreseeable future. Some of the highest-profile defaults in bunker history came from companies that looked solid on paper right up until the moment they collapsed. It's not that the numbers were wrong. It's that the numbers weren't enough.

AI will evolve rapidly and transform how we work and we need to adapt to optimise approaches and make the best use of AI's power. One day AI may be able to interpret the subtleties of shifting disclosure behaviour. As its capabilities grow, it may even detect more nuanced shifts, a pause in a conversation, the unusual timing of a credit request, the subtle inconsistency in a trading pattern. For now, these are signs that experienced professionals are uniquely qualified to interpret.

The real value lies in knowing when to rely on automation – and when to rely on yourself. In a business where a single misjudgement can cost millions, credit professionals will need to remain vigilant, sceptical, and engaged. In these most challenging of market conditions, characterised by tighter margins, reduced volatility, and quieter forms of financial stress, we need to constantly search for better solutions, and the right balance between human insight and the power of AI to optimise human judgement and decision-making. Clarity on the strengths and limitations of AI tools will be critical.

At Dynamar, we use technology not just to assist our analysis and insights, but to push them further, when it counts. Our integration of AI-assisted risk screening and structured data capture enhances both speed and depth, allowing analysts to bring even greater focus to interpretation, and increase efficiency in repetition. Our mission remains constant: clarity, consistency, and actionable intelligence. What's evolving is the precision, efficiency and power with which we deliver it. We are actively developing internal models trained on real-world case data, deploying real-time alert systems, and creating analyst–AI collaboration workflows that amplify human judgement without constraining it. Legacy, for us, means experience, relationships and judgement. Knowing what works and having the confidence to rebuild what doesn't. We embrace innovation not for novelty's sake, but because it strengthens the judgement that defines our work. We're building systems where expertise is powered, not eclipsed, where insight is accelerated and made sharper than ever before.

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Michele Camm,
Managing Director,
Dynamar B.V.

Email: info@dynamar.com
Web: www.dynamar.com