ENGINE: Americas Bunker Fuel Market Update

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Americas bunker prices have been volatile after news of the Omicron Covid-19 variant shook markets on Friday, and prompt availability has tightened in several key bunker ports.

Changes on the day from Friday, to 08.30 CST (14.30 GMT) today:

- **VLSFO prices up in Houston ($31/mt) and Balboa ($15/mt), and down in New York ($40/mt), Los Angeles ($31/mt) and Zona Comun ($7/mt)**
- **LSMGO prices down in Los Angeles ($52/mt), New York ($39/mt), Zona Comun ($37/mt), Balboa ($22/mt) and Houston ($13/mt)**
- **HSFO380 prices down in New York ($26/mt), Houston and Balboa ($24/mt)**

Bunker schedules have come under pressure across major US ports after a period of strong demand, especially in the first half of November, sources say. Demand slowed some in the second half of this month, but is expected to pick up again as bunker prices have slumped with Brent, and after the US Thanksgiving weekend saw less trading.

Prompt supply is tight in New York, Los Angeles and Long Beach, US Gulf Coast ports and in Panama. VLSFO is particularly tight for deliveries off the US Gulf Coast.

US refineries have ramped up fuel oil production to meet growing demand for bunkers and other uses like power generation and upgrading to higher-value oil products in complex US refineries. Refineries produced fuel oil volumes at two-year highs in the week to 19 November. Volumes supplied to refineries, blenders and bulk terminals across the US have averaged 452,000 b/d so far in November, a 33% rise from October, according to the Energy Information Administration (EIA).

Supply remains limited in Vancouver, where a critical resupply pipeline has been offline after a storm caused mass flooding earlier this month. One of the port's two bunker suppliers has been able to offer fuels in the past week, sources say. Trans Mountain, which operates the pipeline, aims to have it back up and running early to mid-week.

Brent

Front-month ICE Brent has shed $0.76/bbl on the day from Friday, to $76.48/bbl at 08.30 CST (14.30 GMT).

Brent has been volatile today, first regaining some of its heavy Covid-triggered losses from Friday to climb above $76/bbl, before dropping down below the $75/bbl mark again.

The market was rocked on Friday by the discovery of a new Covid-19 variant, Omicron, in South Africa that is believed to be more transmissible than previous variants. A host of countries have temporarily banned flights to South Africa and other southern African countries. Brent made its biggest daily drop since April 2020.

Brent has recovered some today as the market refocuses attention to OPEC+. The group could opt to postpone its planned 400,000 b/d output increase for January when it meets for monthly policy talks on Thursday. A US-led release of Strategic Petroleum Reserves (SPR) will add more barrels to the market, while renewed Covid-19 concerns has weakening the demand outlook.

“OPEC+ probably has all the excuses it needs to hit the pause button on increasing production in December and awaiting further virus clarity,” OANDA analyst Kenny Fisher says.

Meanwhile, Russia’s deputy prime minister Alexander Novak called for a careful monitoring of market and no “hasty decisions” when he addressed a forum today, according to S&P Global Platts. Saudi Arabia’s energy minister Prince Abdulaziz bin Salman al-Saud told local news media he is not concerned about the new variant, Reuters reports.