ENGINE: Americas Bunker Fuel Market Update

28/12/22

Bunker fuel availability is tight for very prompt dates in Houston, and GOLA suppliers grapple with multiple weather disruptions.

Changes on the day to 07.00 CST (13.00 GMT) today:

- **VLSFO prices up in Houston ($5/mt) and New York ($2/mt), and down in Zona Comun ($32/mt) and Balboa ($3/mt)**
- **LSMGO prices up in Houston ($59/mt), New York ($18/mt) and Balboa ($2/mt), and down in Zona Comun ($23/mt)**

HSFO prices unchanged in Houston, and down in Balboa ($27/mt) and New York ($3/mt)

Most benchmarks in Americas ports have either tracked declining Brent values or inched slightly higher. But LSMGO benchmarks in Houston and New York have run counter to the general market direction by gaining steeper on the day. One higher-priced 50-150 mt LSMGO fixed today has contributed to push Houston's benchmark higher.

VLSFO and LSMGO availability is tight for very prompt dates (0-3 days) in Houston. Several suppliers are hesitant to supply stems for very prompt dates, while one supplier can deliver but is typically priced higher.

Some sources argue that the possibility of upcoming fog disruptions in the Houston area has forced suppliers to hold back all offers for prompt deliveries. Presently, suppliers continue to deliver stems on schedule and no delays have been reported, a source says. But there are simultaneously warnings about disruption from Friday onwards as thick fog and reduced visibility is forecast.

Barge loadings from Houston area terminals are being carried out smoothly and no congestion has been reported there, a source says.

Bad weather continues to disrupt bunker supplies in Galveston Offshore Lightering Area (GOLA). Multiple weather disruptions in the past weeks in GOLA have led to significant bunker backlogs. Many suppliers have held back all offers for both prompt delivery dates and for dates further out.

Securing stems in the more sheltered Port of Galveston is much easier, where suppliers continue to deliver stems as scheduled. Calmer weather is forecast for Saturday in GOLA, before wind speeds are set to pick up again to potentially trigger another suspension or delays from next Monday.

Brent

Front-month ICE Brent has inched $0.40/bbl lower on the day, to $83.87/bbl at 07.00 CST (13.00 GMT).

Upward pressure:

The winter storm sweeping across the US has knocked temperatures below freezing and disrupted operations at major oil refineries in Texas, US, which continues to support Brent. Affected plants process about 3.58 million b/d, according to Reuters estimates.

Some outages may last into January, Reuters cites insider company sources saying. Refineries owned by Marathon Petroleum and Valero Energy are only set to restart in the first or second week of January.

Crude oil demand is expected to surge after China opens its borders and lifts mandatory quarantine requirements for foreign tourists starting 8 January. S&P Global analysts have predicted oil demand from the world's top importer to reach 15.7 million b/d in 2023, a 700,000-bbl increase from 2022.

Russian President Vladimir Putin has signed an executive order to address the price cap imposed on Russian seaborne crude oil by G7 nations and Australia. In accordance with Putin's earlier warning, Russia has prohibited the sale of oil and oil products to any nation that gets behind the price cap. Starting on 1 February next year, the restrictions will last until at least 1 July.

Several energy experts have predicted that tight supply caused by an increase in Chinese demand and Russia's reduced production will push Brent past $100/bbl next year. Bank of America expects Brent to average $100/bbl next year, while Morgan Stanley predicts $110/bbl by mid-2023.

S&P Global vice chairman Dan Yergin has told CNBC that Brent could reach $121/bbl next year when China fully reopens because it will "add a lot of demand," while UBS commodity analyst Giovanni Staunovo has predicted a price of +$100/bbl in 2023.

Downward pressure:

On the flip side, Yergin has told CNBC that Brent could fall to $70/bbl in case of a recession, according to CNBC.

Citi's global commodities head Ed Morse has predicted Brent will average a significantly lower $76/bbl next year, as supply outstrips global demand.

“We have an underlying view that we will see an imbalance between supply and demand across 2023, with significantly more supply coming into the market than demand, leading to inventory builds, which should weigh on prices so that we see prices ending the year on average lower than the beginning,” Morse has told Insider.

US regulators have approved TC Energy's plan to restart the closed segment of the Keystone Pipeline, according to Reuters. The segment stretches from Steele City near the Nebraska-Kansas border to Cushing, Oklahoma. TC Energy expects service to be restored after several days of testing.

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