ENGINE: Europe & Africa Bunker Fuel Market Update

21/12/22

European and African bunker prices have moved in a narrow range with Brent, and bunkering has been halted in Algoa Bay since yesterday.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($5/mt), and down in Gibraltar and Durban ($1/mt)**
- **LSMGO prices down in Rotterdam ($6/mt), Gibraltar ($5/mt) and Durban ($2/mt)**

HSFO prices up in Rotterdam ($1/mt), and down in Gibraltar ($4/mt)

Strong winds have hit Algoa Bay, disrupting smooth bunker deliveries in the region since yesterday. One vessel is currently waiting to bunker at anchorage and two more are scheduled to arrive tomorrow, according to Rennies Ships Agency.

In South Africa's Durban port, VLSFO and LSMGO prices have moved in a tight range in the past day. Bunker fuel supply is said to be normal there as well as in Mozambique's Nacala port, sources say.

LSMGO price has decreased some in Rotterdam in the past day, and prompt supply of the grade is said to be normal there. The port's benchmark had declined to 11-month lows earlier this month and has recovered since then to around $840/mt now. Suppliers can offer prompt delivery of VLSFO and LSMGO, while lead times of around six days are advised for HSFO.

Bunker prices across all grades edged lower in Gibraltar. Its VLSFO price is near parity to Ceuta and Las Palmas, and at premiums of $16-19/mt over Malta and Algeciras.

Conducive weather conditions in Gibraltar have helped suppliers to clear a backlog of vessels. Bad weather has kept bunker operations disrupted in Gibraltar in recent days. Meanwhile, one supplier in Gibraltar and three in Algeciras are still experiencing delays, according to port agent MH Bland. Bunker operations are running normally in other regional ports in the Gibraltar Strait.

Some congestion has been reported in Ceuta today, according to shipping agent Jose Salama & Cia. 13 vessels are due to arrive for bunkers in Ceuta today.

Brent

Front-month ICE Brent sees a slight increase of $0.37/bbl on the day, to $80.16/bbl at 09.00 GMT.

Upward pressure:

Going by an American Petroleum Institute (API) estimate, US crude inventories were drawn by 3.07 million bbls in the week ended 16 December. Official Energy Information Administration (EIA) figures are due to come out at 15.30 GMT today.

In spite of a gloomy global outlook, investment banks remain sanguine about Brent rising next year. Bank of America expects Brent to average $100/bbl next year. Based on a tight supply and recovered demand, Morgan Stanley predicts a higher $110/bbl by mid-2023.

Reuters reports that Goldman Sachs expects Brent to average $98/bbl in 2023 due to a "market surplus." While this is lower than its earlier forecast of $110/bbl, it still represents an upside from current levels.

According to the World Bank blog, “Oil prices are forecast to average $92/bbl in 2023 and $80/bbl in 2024, down from a projected $100/bbl in 2022. However, prices will remain well above their recent five-year average of $60/bbl.”

Downward pressure:

China's business confidence is at its lowest level in almost a decade, according to a sales managers' survey by the global economic analyst firm World Economics. China's business confidence is at an all-time low in the service sector, while it is at a 3-year low in the manufacturing sector.

“The survey suggests strongly that the growth rate of the Chinese economy has slowed quite dramatically, and may be heading for recession in 2023,” warns World Economics. In the midst of warnings about a looming recession in the US and Europe, this warning could pose an even bigger downside risk for oil markets.

“Energy traders might be stuck in wait-and-see mode as there might not be a clear catalyst for the next major move with crude prices,” says Edward Moya, senior market analyst at OANDA. “The oil demand outlook will be key for how high crude prices can go and that might struggle for clarity as we see mixed signals with China's reopening,” he adds.

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