

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have increased with Brent, and bunker operations are running normally in the Gibraltar Strait.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Gibraltar (\$19/mt), Durban (\$19/mt) and Rotterdam (\$18/mt)

LSMGO prices up in Durban (\$29/mt), Rotterdam (\$23/mt) and Gibraltar (\$20/mt)

HSFO prices up in Gibraltar (\$18/mt) and Rotterdam (\$14/mt)

With the rise in the wider oil complex, Rotterdam's LSMGO price has increased further in the past day. The port's benchmark had declined to 11-month lows earlier this month and has recovered now to around \$864/mt. Meanwhile, prompt supply of the grade is said to be normal in Rotterdam and other ports in the ARA bunkering hub.

Rotterdam's VLSFO and HSFO prices have increased some in the past day. Prices of both grades had declined to one-year lows earlier this month and have recovered since then. But a steeper rise in Rotterdam's VLSFO price has widened its Hi5 spread by \$4/mt to \$172/mt.

Bunker prices across all grades have increased in Gibraltar, while supply is said to be normal there. Prompt availability of VLSFO and LSMGO is said to be normal in most ports in the Gibraltar Strait, while HSFO deliveries remain subject to enquiries, sources say.

Gibraltar's HSFO price is at a \$26/mt premium over Algeciras. It is at \$5-20/mt discounts to other regional ports, including Ceuta, Las Palmas, and Malta.

Bunker operations are running normally in the Gibraltar Strait ports. Bad weather had previously disrupted bunker operations in Gibraltar for several days. Meanwhile, according to port agent MH Bland, one supplier in Gibraltar and three in Algeciras are running behind schedule today.

Brent

Front-month ICE Brent has gained by \$2.68/bbl on the day, to \$82.84/bbl at 09.00 GMT.

Upward pressure:

Commercial US crude oil stocks have declined by 5.89 million bbls to a two-week low of 418.23 million bbls in the week to 16 December, according to data by the Energy Information Administration.

The draw superseded predictions of a 1.6 million-bbl drop from analysts polled by Reuters and is also much higher than the projection of a 3.07 million-bbl drop by the American Petroleum Institute.

Volumes of crude released from strategic petroleum reserves (SPR) declined from the previous week's 4.74 million bbls to 3.64 million in the week to 16 December. The US Department of Energy will buy up to 3 million bbls to replenish SPRs in February next year at a price below \$96/bbl.

Also supporting Brent prices are winter storm warnings in the US, which may boost heating oil demand while depleting supplies following the closure of the Keystone Pipeline. Canadian pipeline operator TC Energy has stated that upcoming cold weather in the area might slow down oil spill cleanup efforts.

Downward pressure:

A growing wave of Covid cases coupled with the reports of a new COVID variant in China has again put China's demand concerns back in the spotlight for oil markets.

World Health Organization chief Tedros Adhanom Ghebreyesus has expressed concern about the nation's health, urging China's government to intensify its vaccination campaign.

The looming recession is putting a damper on the oil markets as the year ends. Analysts and economists have all univocally urged caution, especially for the US and European economies, predicting a "mild to serious" recession next year.

A global economic analyst firm has issued a grim warning, stating that data on China's manufacturing and service sectors' business confidence suggests that the world's biggest oil importer may head into a recession next year.

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