

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in most European and African ports have decreased with Brent, and bunker operations are running normally in Algoa Bay.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban (\$25/mt), Gibraltar (\$10/mt) and Rotterdam (\$9/mt)**
- **LSMGO prices down in Durban (\$30/mt), Gibraltar (\$14/mt) and Rotterdam (\$6/mt)**

**HSFO prices up in Rotterdam (\$2/mt), and down in Gibraltar (\$3/mt)**

Bunkering resumed in Algoa Bay yesterday afternoon after being halted for two days due to bad weather conditions, according to Rennie's Ships Agency. Two vessels are currently receiving bunkers at the anchorage, and four more vessels are scheduled to arrive this week.

VLSFO and LSMGO prices in Durban have come down by \$25-30/mt in the past day, and supply of the two grades is said to be normal there as in Algoa Bay. Lead times of around seven days are advised for deliveries in both locations, a source says.

Availability of VLSFO and LSMGO is steady in Mozambique's Nacala, while the two grades are tight for prompt dates in Maputo this week, a source says.

Rotterdam's VLSFO and LSMGO prices have decreased some in the past day, while its HSFO price edged higher. The port's Hi5 spread has narrowed by \$11/mt to \$161/mt now.

The bunker fuel supply is said to be normal in the ARA hub. However, securing prompt deliveries can be slightly difficult as some suppliers have downtime for barges ahead of the Christmas and New Year holidays.

Bunker prices across all grades have decreased in Gibraltar in the past day. All ports are currently open for deliveries in the Gibraltar Strait. Bad weather had previously disrupted bunker operations in Gibraltar for several days.

Meanwhile, one supplier in Gibraltar and three in Algeciras are running behind schedule, port agent MH Bland says.

## **Brent**

Front-month ICE Brent has declined by \$0.93/bbl on the day, to \$81.91/bbl at 09.00 GMT, but Brent futures are on track to gain over 3% on the week. The trading volume for Brent futures is expected to be muted next week as traders head out for the holidays.

### **Upward pressure:**

Reuters has reported that “Russia may cut oil output by 5-7% in early 2023 as it responds to price caps on its crude and oil products by halting sales to the countries that support them,” citing Russia’s Deputy Prime Minister Alexander Novak.

Novak estimates the cut at 500,000-700,000 b/d, according to Reuters. In the first quarter of next year, the Dutch financier ING expects Russian oil supplies to fall by around 1.6-1.8 million b/d.

Meanwhile, Russian state news agency TASS has reported that Russia’s President Vladimir Putin will sign a decree halting supplies to G7 price cap participants next week as part of “precautionary measures.”

“A combination of lower Russian oil supply and OPEC+ supply cuts means that the global oil market is expected to tighten [oil market] over 2023,” writes ING as it forecasts Brent to average \$104/bbl next year.

Winter storm warnings, coupled with a drawdown in US crude stockpiles and the closure of the Keystone Pipeline, have also supported Brent prices. CMC analyst Leon Li tells Reuters that heating oil demand is expected to skyrocket. This is because winter storms in the US will result in cold temperatures extending into Texas, Florida, and eastern states.

### **Downward pressure:**

Fitch Ratings' global economic outlook says that monetary tightening will have a broader impact on demand over time, though the effects on the economy are already visible.

“Recessions are anticipated in the eurozone and the UK starting in late 2022, and in the US in the second and third quarter of next year,” it adds.

In addition, a spike in Covid cases in China and reports of a new variant have once again placed China’s demand concerns at the forefront of oil markets.

By Shilpa Sharma and Konica Bhatt

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