ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have taken mixed directions, and bunkering is still suspended by rough weather at Las Palmas' outer anchorage.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($13/mt) and Gibraltar ($3/mt), and down in Durban ($14/mt)**
- **LSMGO prices up in Rotterdam ($17/mt), and down in Gibraltar and Durban ($30/mt)**

HSFO prices up in Gibraltar ($2/mt), and down in Rotterdam ($1/mt)

Rotterdam's VLSFO and LSMGO prices have gained against the general market direction in the past day, propped up by higher-priced stems.

Several 0-50 mt and 150-500 mt LSMGO stems have been fixed above the port's benchmark price in the past day, and in a wide range of $19/mt between the highest and lowest price. VLSFO has been priced in a $15/mt range.

Prompt availability of the two low sulphur grades is normal in the ARA hub, sources say, while HSFO is tight and requires a lead time of around 5-6 days.

Las Palmas' outer anchorage remains closed for bunkering due to bad weather, but bunkering can be carried out at more limited capacity at the port's inner anchorage and at berth, according to port agent MH Bland.

Bunkering operations remain on standby in Algoa Bay due to bad weather. One vessel is waiting to bunker at the anchorage, while 10 are scheduled to arrive this week for bunkers, according to Rennies Ships Agency.

Bunker operations are running normally in Gibraltar, MH Bland says, but one supplier is running behind schedule today.

Bunker operations are also progressing as normal in Ceuta, according to shipping agent Jose Salama & Co. Two vessels are currently waiting to bunker and a total of 12 vessels are scheduled to arrive to bunker today.

Brent:

Front-month ICE Brent has declined by $2.05/bbl on the day, to $81.45/bbl at 09.00 GMT.

Upward pressure:

Going by an American Petroleum Institute (API) estimate, US crude inventories were drawn by 1.3 million bbls in the week ended 23 December. Official Energy Information Administration (EIA) figures are due to come out at 15.30 GMT today.

The US is likely to face a supply crunch this winter as energy demand has risen and oil production has slowed due to refinery outages on the back of below-freezing temperatures in Texas and North Dakota. Reuters has learned that some refinery outages may continue into 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 banning the sale of oil and oil products to any nation that gets behind the G7 price cap. Russian Deputy Prime Minister Alexander Novak has also estimated the nation to cut production by 500,000-700,000 b/d early next year.

Downward pressure:

Tailwinds from blizzard-induced US refinery closures are fading, Reuters reports. TotalEnergies has already restarted its 238,000 b/d nameplate production Port Arthur plant, while ExxonMobil is close to operating its 366,000 b/d Beaumont refinery at full capacity.

Marathon Petroleum’s 593,000 b/d nameplate capacity Galveston Bay refinery near Texas City will also resume production in a couple of days, sources have told Reuters.

In an interview with CNBC, S&P Global vice chairman Dan Yergin has predicted that Brent is likely to fall to $70/bbl in the event of a recession. Citi’s Ed Morse also expects a significant drop from the current levels and expects Brent to average $76/bbl next year.

According to FXStreet, Credit Suisse strategists predict crude has "not reached the end of its decline." The report cites Credit Suisse as saying that "... with declining momentum and global growth concerns looming, we think further weakness will follow" as it predicts Brent to slump to $63/bbl.

As China reopens its borders to international travel, nations around the world are tightening restrictions on Chinese travellers as they fear Covid-19 infections. Although China's oil demand is expected to recover next year, tightened global restrictions and fears of a Covid-19 re-emergence can dampen this sentiment against a backdrop of a potential global recession.

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