ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in European and African ports have increased with Brent, and bunkering has resumed at Las Palmas' outer anchorage.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($24/mt), Gibraltar ($18/mt) and Rotterdam ($8/mt)

LSMGO prices up in Durban ($44/mt), Gibraltar ($38/mt) and Rotterdam ($26/mt)

HSFO prices up in Gibraltar ($19/mt) and Rotterdam ($10/mt)

In the past day, Rotterdam's VLSFO and HSFO prices have widened their discounts to Gibraltar to $50/mt and $71/mt, respectively. This is because of the steep increase in prices in Gibraltar.

Bunker fuel availability is normal for all fuel grades in the ARA hub with recommended lead times of 3-4 days for VLSFO and LSMGO, and 4-6 days for HSFO.

Bunker operations have resumed at Las Palmas' outer anchorage after a halt of three consecutive days due to bad weather. Strong winds are expected to impact bunkering operations until 4 January, according to port agent MH Bland.

In Gibraltar Strait ports, bunkering operations are running normally. One supplier in Gibraltar and three in Algeciras are running behind schedule today.

Meanwhile, bunkering is progressing normally in Ceuta and Malta. In Ceuta, 10 vessels are scheduled to arrive for bunkering today and one vessel is waiting to bunker, according to shipping agent Jose Salama.

In Durban, VLSFO and LSMGO availability remains normal with a recommended lead time of 7-10 days.

Brent

Front-month ICE Brent has climbed up by $2.33/bbl on the day, to $83.78/bbl at 09.00 GMT. The futures contract has gained nearly 6% this year.

Upward pressure:

Comments and predictions on Brent for 2023 will be relevant to watch on the last trading day of the year. Energy experts have predicted that tight supply due to increased Chinese demand and reduced Russian production will push Brent above $100/bbl next year.

OPEC and the International Energy Agency (IEA) have forecast increased global oil demand next year, led by a potential upside from China. According to analysts at S&P Global, oil demand from the world's top importer will reach 15.7 million b/d in 2023, a 700,000-bbl increase from 2022.

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 as China fully reopening will generate a lot of demand, while UBS commodity analyst Giovanni Staunovo has predicted a price of +$100/bbl in 2023.

The Energy Information Administration (EIA) has forecast Brent to average at $92/bbl next year as global oil inventory declines. Although this is lower than other forecasts, it still indicates a potential upside.

Downward pressure:

Commercial US crude oil stocks increased by 718,000 bbls to 418.95 million bbls in the week ending 23 December, according to the official EIA data. The stock build ran counter to the American Petroleum Institute's (API) earlier projection of a 1.3 million-bbl draw.

The unexpected rise in US crude oil inventories coupled with the reports of refineries in Texas restarting operations after winter storms caused disruptions is likely to cap oil price gains.

Given China's extreme spike in Covid-19 cases after it backtracked on its zero-Covid policy, the reopening its international borders has met with lukewarm reactions across the globe. Despite expectations that China's oil demand will rise next year, tightened global restrictions on Chinese travellers and fears of a Covid-19 re-emergence can dampen this optimism.

"The lack of clarity over the virus situation in China has prompted some new travel rules from various countries, which could serve as some dampener for previous optimism," said Jun Rong Yeap, market strategist at IG.

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