ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have soared with Brent, and bad weather could trigger bunker suspensions in Gibraltar Strait ports.

Changes on the day from Friday, to 09.00 GMT today:

VLSFO prices up in Durban ($49/mt), Gibraltar ($41/mt) and Rotterdam ($37/mt)

LSMGO prices up in Durban ($73/mt), Gibraltar ($39/mt) and Rotterdam ($28/mt)

HSFO prices up in Rotterdam ($55/mt) and Gibraltar ($32/mt)

Bunker benchmarks in Europe and African ports have tracked surging front-month Brent futures. Gibraltar's LSMGO price gain has outpaced that in Rotterdam. This has widened its premium over Rotterdam's from $58/mt on Friday, to $69/mt now.

LSMGO availability is said to be tight in the ARA hub. Several suppliers have held back prompt offers for LSMGO amid tight supply, a source says. Some sources argue that the ongoing refinery maintenance in Shell's Rotterdam refinery could have led to this tightness.

A supplier can offer VLSFO and LSMGO in the ARA with deliveries from 8 April.

Gale-force wind gusts of up to 35 knots and swell of nearly four meters are forecast to hit Gibraltar from tomorrow evening and could impact bunkering or trigger intermittent closures until Friday.

Minimal congestion is reported in Gibraltar and Algeciras today, port agent MH Bland says. Bunker fuel availability across all grades remains normal so far in Gibraltar. But going forward, booked stems - and potentially new offers - can be delayed by weather disruptions, a source says.

Possible spells of rough weather in Gibraltar Strait ports could divert more vessels to the Portuguese ports of Lisbon and Sines for bunker-only calls. LSMGO and VLSFO availability is currently normal in Lisbon and Sines, a source says.

Heavy swells and strong wind gusts are also forecast to hit Las Palmas from this evening, and could hamper bunkering until Wednesday. Some suppliers are already avoiding deliveries at the port's outer anchorage, while ex-pipe deliveries at berth, or by barge at Las Palmas' more sheltered inner anchorage, are mostly available, MH Bland says.

Brent

Front-month ICE Brent has shot up by $5.90/bbl on the day from Friday, to $84.25/bbl at 09.00 GMT.

Upward pressure:

Several major OPEC+ members have pledged oil production cuts totalling 1.16 million b/d through 2023. These cuts are in addition to the 2 million b/d output cuts announced by the group last October. This brings the group's total reductions to 3.36 million b/d this year. The sudden and unexpected cuts have raised concerns about tightening oil supplies amid expectations that China's oil demand will grow this year. OPEC+ produced 38.38 million b/d in February, which was 1.72 million b/d below its target.

Kurdish officials and Iraqi officials have reached an initial agreement about resuming oil supply from Kurdistan-owned oil fields in northern Iraq, but the agreement must be finalised before supply can resume.

Meanwhile, several oil producers, including Norway's DNO, Gulf Keystone Petroleum and HKN Energy, have already started the process of shutting down wells in the semi-autonomous Raqi Kurdistan region following the impasse between the two regions last week. The companies have not yet confirmed when they will resume production fully.

Downward pressure:

Core inflation in Europe has hit a record high at 5.7%, says Craig Erlam, senior market analyst at OANDA. European Central Bank (ECB) policymakers will be vigilant about this issue, he has said, and they will "ensure the [monetary] tightening cycle will continue in May."

"Markets are pricing a 25-basis-point [interest rate] hike [from ECB] as a near-certainty and we could see expectations for 50 creep higher between now and then if the data doesn't improve," according to Erlam.

OPEC member Nigeria's oil demand has been capped by the strikes at French refineries, limiting Brent's upward movement. Kpler cargo tracking data, cited by Reuters, shows that France has imported 30,000 b/d of crude oil from Nigeria so far this month, which is less than half the 200,000 b/d it imported in January-February.

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