ENGINE: Europe & Africa Bunker Fuel Market Update

13/04/23

Prices in most European and African bunker locations have increased with Brent, and HSFO supply has tightened in Rotterdam.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($14/mt), Rotterdam ($9/mt) and Gibraltar ($2/mt)
LSMGO prices up in Rotterdam ($16/mt) and Gibraltar ($5/mt), and steady in Durban
HSFO prices steady Rotterdam, and down in Gibraltar ($4/mt)

Rotterdam's VLSFO and LSMGO prices have increased in the past day, while its HSFO price has held steady. Securing prompt deliveries can be difficult in the port.

HSFO supply is currently tight in Rotterdam and in the wider ARA hub as both product and barge availability is under pressure, a source says. Loading delays have been reported at oil terminals. Lead times of around seven days are advised for HSFO delivery in Rotterdam, up from 4-5 days last week.

Rotterdam's VLSFO price rise has outpaced Gibraltar's to narrow its discount by $7/mt to $26/mt.

VLSFO and LSMGO prices have moved slightly higher in Gibraltar in the past day, while supply of all fuel grades is said to be normal there.

A bit of congestion has built up in Gibraltar and Algeciras today, while no backlog has been reported in Ceuta, according to port agent MH Bland. Four vessels are currently waiting to bunker in Gibraltar.

Bunkering is currently in progress in Las Palmas. But high swells are forecast to hit the port in periods between today and Saturday, which could complicate deliveries at its outer anchorage, MH Bland says.

In South Africa's Durban, VLSFO price has increased in the past day, while its LSMGO price has held steady. Supply of both the grades is normal there, a source says.

Brent

Front-month ICE Brent has gained by $1.55/bbl on the day, to $87.26/bbl at 09.00 GMT.

Upward pressure:

The US Energy Information Administration (EIA) has forecast the Brent spot price to average $85/bbl this year - an upward revision of $3/bbl from its March outlook. It has explained that the additional oil production cuts announced by OPEC and its allies, including Russia, will tighten the oil market this year and drive Brent's spot price higher.

The EIA has also lowered its global liquid fuel production forecast for this year by 300,000 b/d from its March forecast.

Bearish short positions in the Brent futures contract have fallen to their lowest levels since late January, according to Reuters analyst John Kemp. This is after major OPEC+ members announced oil production cuts starting in May, says Kemp.

"Investors bought petroleum futures and options at the fastest rate for more than three years after Saudi Arabia and other OPEC+ producer group members announced voluntary cuts in oil output," Kemp has written in a Reuters column.

Downward pressure:

Commercial US crude inventories grew by 597,000 bbls on the week, to 475.55 million bbls on 7 April, according to official weekly figures from the EIA. The weekly stock build has surpassed the 377,000-bbl build estimated by the American Petroleum Institute (API) on Tuesday.

The International Monetary Fund has downgraded this year's global GDP outlook citing macroeconomic uncertainties caused by the "financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID."

The US Federal Reserve (Fed) released the minutes of its Federal Open Market Committee (FOMC) meeting held in March. The minutes indicate that the US economy is predicted to enter a recession later this year, partly because of headwinds from the recent banking sector turmoil.

"Recent developments [in the banking sector] are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain," the FOMC said. It added that the Fed is "highly attentive to inflation risks."

By Shilpa Sharma and Konica Bhatt

Please get in touch with comments or additional info to news@engine.online