ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional benchmarks have come down sharply with declining Brent values, and Rotterdam and Gibraltar's LSMGO prices have slumped to 16-month lows.

Changes on the day to 09.00 GMT today:

VLSFO prices down in Gibraltar ($29/mt), Durban ($21/mt) and Rotterdam ($14/mt)
LSMGO prices down in Durban ($93/mt), Gibraltar ($60/mt) and Rotterdam ($34/mt)
HSFO prices down in Gibraltar ($35/mt) and Rotterdam ($33/mt)

Tracking a sharp fall in Brent futures, bunker prices across all grades have come down in Rotterdam, Gibraltar, Durban and several other regional ports. LSMGO prices in Rotterdam and Gibraltar have declined to 16-month lows. Availability of the grade is said to be normal for prompt dates in both locations.

Four LSMGO stems have been fixed in a wide range of $21/mt in Rotterdam in the past day. Stems at the lower end of that range have added more downward pressure to the port's benchmark. Meanwhile, prompt supply of VLSFO and HSFO is still tight in Rotterdam, partly because of product shortages at refineries, a source says.

In Gibraltar, prompt supply of VLSFO is said to be normal, while HSFO delivery may require lead times of up to seven days. One supplier in Gibraltar is running low on HSFO stocks, a source says.

Recommended lead times for VLSFO and LSMGO deliveries in Gibraltar are around 3-5 days, a source says.

Minimal congestion has been reported in Gibraltar and Algeciras today, according to port agent MH Bland.

Bunkering is progressing normally in Las Palmas amid conducive weather. However, the port is forecast to experience rough weather conditions next week, which could complicate deliveries, MH Bland says.

Brent

The front-month ICE Brent contract has plunged lower by $5.36/bbl on the day, to $73.96/bbl at 09.00 GMT.

Upward pressure:

Oil market analysts are concerned that OPEC and its allies may reduce production further to stabilise prices if they fall steadily, if there is a severe recession in the US and if China's economic recovery fails to accelerate.

According to the International Energy Agency (IEA), 19 countries of the OPEC+ bloc failed to meet their March production targets by a total of 2.16 million b/d. Meanwhile, several major OPEC+ producers including Saudi Arabia and Russia have cut output by 3.66 million b/d from May through 2023. A further decline in oil production will dent global oil supplies.

Commercial US crude inventories were drawn by 3.93 million bbls in the week that ended 28 April, according to an American Petroleum Institute (API) estimate. Official weekly data from the Energy Information Administration (EIA) is scheduled for release later today.

Downward pressure:

Brent has slumped to its lowest level in five weeks amid fears of further interest rate hikes by the US Federal Reserve and the European Central Bank and a possible recession in the US will hurt global oil demand.

Data from the US Bureau of Labor Statistics showed that there were 9.6 million job openings in March, down from 9.9 million in February. This indicates that businesses are less confident about near-term growth prospects.

A decline in US job openings, coupled with a slowdown in Chinese manufacturing, has raised concerns about the state of the economies of the world's two largest oil consumers, says OANDA's Ed Moya. He warns that if macroeconomic conditions worsen further, Brent may drop below $70/bbl.

Iran's oil production has exceeded 3 million b/d this month, according to Iranian oil minister Javad Owji. The IEA reported Iran's supply at 2.65 million b/d in March. With increased output, Iran will at least theoretically be able to push out more oil to global markets – although lingering sanctions will dent those prospects.

By Shilpa Sharma and Konica Bhatt

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