ENGINE: Europe & Africa Bunker Fuel Market Update

10/05/23

European and African bunker prices have declined further with Brent, and prompt fuel oil supply remains tight in the ARA.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($34/mt), Rotterdam ($27/mt) and Gibraltar ($22/mt)**
- **LSMGO prices down in Gibraltar ($36/mt), Durban ($34/mt) and Rotterdam ($29/mt)**
- **HSFO prices down in Gibraltar ($16/mt) and Rotterdam ($9/mt)**

Tracking the decline 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 15-month lows.

A steeper fall in Rotterdam's VLSFO price has narrowed the port's Hi5 spread from $93/mt to $75/mt now. Prompt VLSFO and HSFO supply are still tight in Rotterdam and in the wider ARA hub, partly because of product shortages at refineries. Shell's Pernis refinery near Rotterdam is undergoing a scheduled three-month maintenance, which is set to be completed on 1 May.

Meanwhile, a steeper fall in Gibraltar's HSFO price has contributed to narrow its premium over Rotterdam's by $7/mt, to $48/mt now. Supply of HSFO is slightly tight in Gibraltar, while other grades are more readily available, a source says.

Slight congestion has been reported in Gibraltar and Algeciras today. One supplier in Gibraltar and three in Algeciras are running behind schedule, port agent MH Bland says.

Brent

The front-month ICE Brent contract has plunged lower by $3.27/bbl on the day, to $77.99/bbl at 09.00 GMT.

Upward pressure:

Canadian supply disruptions are keeping the Brent price afloat. Several major oil and gas producers have halted operations in Alberta following a series of wildfires in the province. Reuters estimates the state has so far shut down 319,000 b/d of oil equivalent, or 3.7% of the nation's production.

The Russian Energy Ministry says its crude-production cuts have almost reached targeted levels in April, according to a Bloomberg report.

These reports have supported oil prices, says Ed Moya, senior market analyst at OANDA.

“Energy traders know that Saudi Arabia would do what is necessary to keep oil prices supported, the doubts are with Russia and some other countries like the UAE. If Russia is delivering on these production cut promises, it might be safe to expect they will deliver again if more cuts are needed,” Moya explains.

Meanwhile, in the US, “it appears as though" the "administration is still keen to refill the strategic petroleum refills later this year, once maintenance at storage sites is complete,” ING’s senior commodity strategist Warren Patterson says in a report. This is also supporting Brent prices, he adds.

Refilling US emergency reserves would result in a significant increase in the demand for crude oil.

Furthermore, OPEC and its allies have agreed to continue to cut production, which will reduce stockpiles in the market, thereby tightening supply. This can drive prices higher in the short-term.

Downward pressure:

The US Energy Information Administration (EIA) has dramatically reduced its Brent spot price forecast for 2023, by 7.5% from its April outlook. EIA now expects the benchmark to average at $79/bbl this year compared to last month's projection of $85/bbl.

The EIA anticipates “consistent global oil inventory builds” starting from the second quarter of 2024. This, it believes, will outpace global crude demand and put downward pressure on the Brent price.

Traders are also tracking the ongoing debt ceiling negotiations in the US. President Joe Biden has stated that “defaulting on the debt is off the table” and that his administration will do everything in its power to avoid a debt default.

In April, China's crude oil imports declined 16% on the month. This signals that its domestic demand remains weaker-than-expected, calling into question the economic recovery in the world's largest oil consuming nation.

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