ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have moved in mixed directions, and Gibraltar's HSFO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($4/mt), and down in Rotterdam ($12/mt) and Gibraltar ($9/mt)
LSMGO prices down in Durban ($21/mt), Gibraltar ($14/mt) and Rotterdam ($12/mt)
HSFO prices up in Rotterdam ($8/mt), and down in Gibraltar ($4/mt)

Rotterdam's HSFO price has increased by $14/mt over the past week, while Gibraltar's benchmark has declined by $8/mt. The diverging price moves have nearly erased Gibraltar's HSFO premium over Rotterdam from $27/mt last week, to just $5/mt now.

HSFO availability has been tight for prompt delivery dates in the ARA ports, sources say.

Multiple factors such as the Russian import ban, a sweetening of EU refineries' crude slates, and the Kurdish crude export suspension have contributed to tighten of HSFO supply in the ARA hub, a source says.

According to cargo tracker Vortexa, Europe's crude imports were predominately sour before EU sanctions on seaborne Russian crude imports in December 2022, and refined Russian oil products in February 2023. Russian Urals, a medium-sour crude, accounted for almost 17% of Europe's seaborne imports in the year before Russia invaded Ukraine in February 2022.

Since the EU banned crude imports from Russia, these slates shifted to sweet and sour grades from alternative countries. About 38% of Europe's crude imports in May were made up of light-sweet grades, followed by medium-sour (25%) and light-sour (15%), Vortexa data shows. The majority of these imports arrived from the US.

With upward price pressure on HSFO, Rotterdam's Hi5 spread has also narrowed on the week, from $77/mt to $62/mt now.

Brent

The front-month ICE Brent contract has gone down by $1.87/bbl on the day, to $73.28/bbl at 09.00 GMT.

Upward pressure:

Brent has found some support after OPEC's de facto leader Saudi Arabia announced a voluntary production cut of 1 million b/d from July, bringing its production to 9 million b/d - the biggest cut in years. The bigger OPEC+ group pledged to reduce its combined crude oil output from 2024.

The core OPEC group expects global oil demand growth of 2.35 million b/d this year. The International Energy Agency (IEA) forecasts a similar 2.4 million b/d of growth this year, to 102.3 million b/d, and cited a better-than-expected Chinese demand recovery.

"The last few days have shown how fragile sentiment is in the oil market," said Giovanni Staunovo, strategist at UBS. "Prices are being driven more by supply news and demand growth concerns," he added.

Downward pressure:

Brent futures reversed yesterday's gains after the US Federal Reserve said it expects more rate hikes this year. The central bank, however, kept its interest rates unchanged for this month.

Additionally, weak Chinese export data has weighed on crude oil prices, commented Priyanka Sachdeva, market analyst at Philip Nova.

"China's post-COVID recovery has been bumpy and the mellowed first quarter economic standing has completely swept away any forecast of China's revival pushing the global demand for oil to record highs," she added.

Moreover, Brent futures felt more downward pressure after Goldman Sachs analysts cut its oil price and demand estimates, citing an influx of supply and a fall in demand.

"Higher oil production from the US, Iran and Venezuela have amplified concerns around excess oil supply," said UBS' strategist Giovanni Staunovo.

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