ENGINE: Europe & Africa Bunker Fuel Market Update

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Europe & Africa Market Update

Regional bunker benchmarks have come down with Brent values, and bunkering remains suspended in Algoa Bay due to high swells.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($36/mt), Gibraltar ($25/mt) and Rotterdam ($22/mt)**
- **LSMGO prices down in Gibraltar ($37/mt), Durban ($12/mt) and Rotterdam ($9/mt)**
- **HSFO prices down in Rotterdam ($20/mt) and Gibraltar ($19/mt)**

Tracking a sharp fall in Brent futures, bunker benchmarks across European and African ports have come down in the past day.

Rotterdam and Gibraltar's HSFO prices have decreased by $19-20/mt in the past day, keeping them at near parity with one another. Prompt availability of the grade is said to be tight in both locations.

Lead times of minimum 5-7 days are advised for HSFO bunker deliveries in the ARA to ensure full coverage from suppliers, a source says. Similar lead times are recommended for the grade in Gibraltar.

VLSFO and LSMGO prices in Durban have also come down in the past day, and supply of the two grades is said to be normal there. A lower-priced VLSFO stem fixed in Durban in the past day has contributed to push the port's benchmark lower. Bunker fuel supply is said to be normal across most South African ports, requiring lead times of up to seven days, a source says.

Meanwhile, bunker operations have been kept on standby in Algoa Bay since Monday amid bad weather conditions, according to Rennies Ships Agency. Swells of up to 3 metres have hit the bay this morning. Five vessels are currently waiting to receive bunkers at anchorage, and two vessels are held up in Port Elizabeth, Rennies says.

The weather is forecast to improve later today, which could help to resume operations in Algoa Bay.

Brent

The front-month ICE Brent contract has plunged by $3.60/bbl on the day, to $72.99/bbl at 09.00 GMT.

Upward pressure:

Brent was supported modestly after the Energy Information Administration's (EIA) latest weekly report suggested a surprise draw in commercial US crude stocks. Crude inventories were reduced by 3.8 million bbls to 463.3 million bbls in the week that ended on 16 June.

"A rebound in crude exports, dip in imports, and ongoing strength in refining activity have encouraged a draw to crude inventories," said Matt Smith, an analyst at Kpler.

The US rig count has also been reduced, OANDA analyst Ed Moya points out. "This supports the idea that production won't be going up much further from the current level," he writes in a note.

Downward pressure:

Brent futures reversed course, shedding previous gains after the Bank of England raised its interest rate by half a percentage point. Central banks in Switzerland and Norway followed with interest rate hikes of their own.

A rise in interest rates can increase borrowing costs for consumers and trigger speculations of a weakening global economy, ultimately affecting oil demand.

Moreover, hawkish signals from the US Federal Reserve's (Fed) chairman Jerome Powell for further US interest rate hikes have put downward pressure on Brent. In a congressional testimony, the Fed's chairman said this week that two more 25-basis point rate hikes by the end of 2023 was "a pretty good guess."

"Oil prices are going to remain heavy as central bank tightening will kill the global growth outlook," comments Ed Moya.

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