

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have increased some with Brent, and HSFO remains tight for prompt delivery in Rotterdam.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam (\$7/mt), Durban (\$5/mt) and Gibraltar (\$2/mt)**
- **LSMGO prices up in Durban (\$8/mt), Rotterdam (\$3/mt) and unchanged in Gibraltar**
- **HSFO prices up in Gibraltar (\$7/mt) and Rotterdam (\$5/mt)**

HSFO prices have slightly gained in Rotterdam and Gibraltar in the past day. A steeper rise in Gibraltar's benchmark has narrowed its discount to Rotterdam by \$2/mt to \$4/mt. Prompt supply of the grade is said to be tight in Rotterdam and in the wider ARA hub.

Tight availability has pushed Rotterdam's HSFO price higher in recent weeks, thereby erasing its typical price discounts to Gibraltar's HSFO.

Securing prompt deliveries of HSFO can be difficult in Gibraltar as well. Lead times of 5-7 days are advised for full coverage from suppliers in the Gibraltar Strait. VLSFO and LSMGO availability is said to be normal there.

Minimal congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland. Bunkering is going ahead as usual in Ceuta, where five vessels are scheduled to arrive today, according to shipping agent Jose Salama & Co.

In Las Palmas, strong waves of up to 1.7 metres are forecast to hit the port on Monday morning, which could complicate deliveries there.

## **Brent**

The front-month ICE Brent contract has increased by \$0.89/bbl on the day, to \$75.19/bbl at 09.00 GMT.

### **Upward pressure:**

Brent futures gained after the US reported a big drawdown in crude stocks, outweighing concerns about weak global oil demand.

According to the US Energy Information Administration (EIA), crude oil inventories in the US dropped by 9.6 million bbls in the week ended 23 June.

The EIA report along with the OPEC+ nations' pledge to continue output reduction into 2024 has led the oil market to worry about the increasing supply crunch.

"The belief that OPEC+ will take further action if there is significant further weakness provides a floor to the market," said ING's market analyst Warren Patterson.

### **Downward pressure:**

Brent felt some downward pressure as weak economic recovery from the pandemic in China, the world's second-largest oil consumer, has not improved as much as the market had expected.

The market is "concerned that signs of slowing in the broader economy will begin to impact demand in China from Q3 onwards," said SPI Asset Management's managing partner Stephen Innes.

The talk of "peak oil" demand is exaggerated, commented the Price Futures Group's senior analyst Phil Flynn. "The problem is the lack of investment in fossil fuels and if we indeed reach that level, the question will be is the world going to produce enough oil to meet that demand," he said.

*By Shilpa Sharma and Aparupa Mazumder*

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