ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have mostly declined, and Gibraltar’s HSFO premium over Rotterdam has widened further.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($21/mt), Gibraltar ($11/mt) and Rotterdam ($3/mt)**
- **LSMGO prices down in Durban ($22/mt), Gibraltar ($11/mt) and Rotterdam ($8/mt)**
- **HSFO prices up in Gibraltar ($5/mt), and down in Rotterdam ($9/mt)**

Most bunker benchmarks in European and African ports have tracked Brent’s decline. But Gibraltar’s HSFO price has moved counter to the general market direction by gaining in the past day. A higher-priced indication has added upward price pressure on the port’s benchmark.

The price moves have further widened Gibraltar's HSFO premium over Rotterdam from the past day’s $9/mt to $23/mt. Gibraltar’s HSFO benchmark traded at rare discounts to Rotterdam in the past week, these discounts have been erased now.

VLSFO availability has tightened in Las Palmas. One supplier can offer VLSFO for delivery dates in mid-July, while others are hesitant to confirm delivery dates, sources say. Tight availability has pushed the grade’s prices higher in recent days. Las Palmas, which typically prices VLSFO at parity or lower than Gibraltar, now prices the grade $13/mt higher.

On the other hand, VLSFO availability is normal for prompt dates in Gibraltar Strait ports. LSMGO supply is also good, with prompt supply available with most suppliers there.

Bunkering has resumed at Las Palmas’ outer anchorage today amid calmer weather conditions, according to port agent MH Bland. Deliveries at the port's outer anchorage were disrupted yesterday due to rough weather.

Brent

The front-month ICE Brent contract has shed $0.68/bbl on the day, to $75.37/bbl at 09.00 GMT.

Upward pressure:

Brent drew some upward support after voluntary supply cuts pledged by OPEC+ oil-producing countries, including Saudi Arabia and Russia, came into force this month.

Saudi Arabia also announced that it would extend its voluntary output cut of 1 million b/d to August, along with Russia and Algeria, who are to reduce oil output and export levels for August by an additional 500,000 b/d and 20,000 b/d, respectively.

OPEC's de facto leader Saudi Arabia's announcement signifies an extension of the previously announced output reduction pledge. However, Russia's announcement suggests a new reduction in exports.

"As part of the effort to ensure the oil market remains balanced, in August, Russia will voluntarily reduce its oil supply by 500,000 barrels per day, by cutting its exports to global markets by that amount," Russian deputy prime minister Alexander Novak said in a statement yesterday.

Downward pressure:

Fears of further interest rate hikes by major central banks have kept a lid on Brent prices in recent days.

"Despite the announcements of two fresh rounds of cuts from OPEC+/Saudi Arabia, crude prices have largely remained below $80/bbl as the market has been driven less by fundamentals and more by macroeconomic concerns," analysts at HSBC said in a note.

The crude demand outlook has too much "doom and gloom" priced in as the US and China outlooks should remain upbeat, OANDA's market analyst Ed Moya said.

"China might be buying cheaper discounted Russian crude, but soon they will require more and those purchases could broaden as they slowly deliver more economic stimulus," he said.

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