ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained, and HSFO supply remains tight in the ARA hub.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam and Durban ($5/mt), and down in Gibraltar ($1/mt)**
- **LSMGO prices up in Gibraltar ($28/mt), Rotterdam ($8/mt) and Durban ($5/mt)**
- **HSFO prices up in Gibraltar ($5/mt) and Rotterdam ($4/mt)**

Most bunker benchmarks in European and African ports have gained some in the past day. Gibraltar's LSMGO price has jumped by $28/mt – the steepest among major ports. A higher-priced 150-500 mt LSMGO stem fixed in the past day has supported the benchmark's upward thrust.

This has widened Gibraltar's LSMGO premium over Rotterdam from yesterday's $66/mt to $86/mt now.

HSFO availability remains tight in Rotterdam and in the wider ARA hub. In Rotterdam, at least four suppliers have held back HSFO offers due to limited product availability and operational constraints. Of these suppliers, one is facing product loading delays at a terminal, while another's bunker barge is out for repairs, a source says.

Securing large stem sizes of more than 3,000 mt of HSFO can be even more challenging in Rotterdam. Out of the large pool of bunker suppliers in the region, only around three have been able to offer large stems in the past day, a source says.

The tight supply of HSFO in Rotterdam has contributed to weigh down on its Hi5 spread, which is just $53/mt now and half of what it was in April. On the other hand, VLSFO and LSMGO availability is said to be relatively better in the ARA hub, a trader says.

Minimum congestion has been reported in Gibraltar, with three vessels waiting for bunkers today, port agent MH Bland says.

Brent

The front-month ICE Brent contract has moved up by $1.00/bbl on the day, to $81.17/bbl at 09.00 GMT.

Upward pressure:

Brent futures continued to move upward after supply disruptions occurred in Nigeria and Libya.

In Libya, production at El Feel and Sharara oil fields has been stopped since yesterday amid protests by a local tribe against the abduction of a former government official.

Meanwhile, in Nigeria, oil major Shell has suspended operations at Forcados oil terminal because of a potential leak in the facility. Both these disruptions are significant and will impact the global oil market, which is already seeing tight supply, commented ING's market analyst Warren Patterson.

"Crude prices are getting a boost from expectations that the oil market will get very tight as Libya and Nigeria deal with disruptions, also while Russian crude exports finally decline," said OANDA's analyst Ed Moya.

Brent felt additional upward pressure after both the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) released their monthly oil market reports yesterday.

IEA has raised its forecast for oil demand in 2024 by 1.1 million b/d, while OPEC has projected demand to grow by 2.25 million b/d in 2024. "This is quite aggressive when considering the uncertain macro-outlook," said Patterson.

The oil market is now hoping to see a strong oil demand in the US after a recent report by the US Labor Department suggested a slowdown in inflation.

Downward pressure:

Brent felt some downward pressure from growing uncertainties around China's economic recovery after recurring COVID-19 outbreaks. More hawkish moves from the US Federal Reserve (Fed) can also weigh down on Brent.

Further monetary tightening measures by the US Fed could strengthen the US dollar and increase borrowing costs for non-dollar currency holders. This could have a negative impact on oil demand growth.

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