ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have declined, and Las Palmas' HSFO premium over Gibraltar has widened.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($28/mt), Rotterdam ($16/mt) and Gibraltar ($5/mt)**
- **LSMGO prices down in Durban ($23/mt), Gibraltar ($5/mt) and Rotterdam ($2/mt)**
- **HSFO prices down in Gibraltar ($10/mt) and Rotterdam ($6/mt)**

Bunker benchmarks in European and African ports have tracked declining Brent values. Rotterdam's VLSFO price drop has outpaced its HSFO. The price moves have narrowed the port's Hi5 spread by $10/mt to $54/mt now.

Prompt HSFO availability remains tight in Gibraltar Strait ports. Lead times of up to seven days are recommended to ensure full coverage from suppliers in the region. Securing HSFO stems for prompt dates in Las Palmas can be even more difficult. Tight availability of the grade has contributed to widen the port's HSFO premium over Gibraltar to $26/mt now, nearly triple from last week's $9/mt.

Some traders expect HSFO supply to improve in Las Palmas as a replenishment cargo is likely to arrive in the near future. A supplier is expected to receive replenishment cargo in the coming days, a source says. VLSFO supply is said to be normal there.

Meanwhile, VLSFO and LSMGO availability has been steady in the Portuguese ports of Lisbon and Sines. "We have plenty of product," a supplier said. According to Wood Mackenzie data, the Galp refinery in Sines is expected to undergo periodic maintenance between October and November, which could impact crude distillation capacity and possibly bunker supply in Portuguese ports.

Bunker operations remain suspended in Algoa Bay since yesterday due to adverse weather conditions, according to Rennies Ships Agency. Weather conditions are forecast to remain bad tomorrow as well, which could cause prolonged delays and disruptions.

Brent

The front-month ICE Brent contract has decreased by $0.46/bbl on the day, to $79.80/bbl at 09.00 GMT.

Upward pressure:

Brent futures received some upward thrust amid anticipation of tight supply.

Russia will reduce its oil exports by 2.1 million mt in the third quarter, in line with the planned voluntary cuts of 500,000 b/d in August, Reuters reported citing the country's energy ministry.

"Given the tightening that we expect in the oil market as we move through the second half of this year, we believe it is only a matter of time before Brent moves above $80/bbl," said ING's head of commodities strategy Warren Patterson.

Brent also gained some support from the decline in Russian seaborne crude flows, commented SPI Asset Management's analyst Stephen Innes. "Moscow is finally appearing to make good on its pledge to cut supply to international markets," he added in a note.

Downward pressure:

Brent shed yesterday's gains as the US Energy Information Administration (EIA) report posted disappointing demand figures and a lower-than-expected drop in crude inventories, said OANDA's market analyst Ed Moya.

The EIA said that production cuts from OPEC members and increase in petroleum consumption will lead to an average inventory drawdown of 400,000 b/d between now and the end of next year.

"Some renewed strength in the USD weighed on oil prices yesterday, whilst US inventory data was not the most constructive," said Warren Patterson. "The EIA's weekly inventory report was also not the most constructive, with crude and gasoline draws coming in lower than expected," he added.

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