ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained with Brent, and bunkering remains suspended in Algoa Bay since Wednesday.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($10/mt), Rotterdam and Gibraltar ($3/mt)**
- **LSMGO prices up in Durban ($39/mt), Gibraltar ($9/mt) and Rotterdam ($3/mt)**
- **HSFO prices up in Gibraltar ($2/mt), and down in Rotterdam ($2/mt)**

Bunker benchmarks in European and African ports have mostly gained in the past day. But Rotterdam's HSFO price has moved counter to the general market direction by dropping slightly in the past day. Some lower-priced indications for the grade in the past day have supported its resistance to Brent's upward thrust.

Gibraltar's LSMGO price has declined by $24/mt over the past week, while the product price in Rotterdam fell by a modest $8/mt. The price moves have narrowed Gibraltar's LSMGO premium over Rotterdam from last week's $86/mt to $70/mt now.

The downward price trend for LSMGO grade in both ports have run counter to ICE gasoil. The front-month ICE low-sulphur gasoil futures have gained by $28/mt over the past week and swung to a $29/mt premium over Rotterdam from a $9/mt discount last week.

Bad weather has kept bunkering suspended in Algoa Bay since Wednesday, according to Rennies Ships Agency. Strong wind gusts of up to 25 knots and heavy swells are forecast until Monday, which could lead to further disruptions and congestion build-up.

Three vessels are currently waiting to bunker at the anchorage, and another 13 vessels are expected to arrive for bunkers between today and Monday, Rennies says.

Brent

The front-month ICE Brent contract has gained $0.39/bbl on the day, to $80.19/bbl at 09.00 GMT.

Upward pressure:

Brent broke above the $80/bbl mark earlier today as the oil market focused on production cuts from major producers, such as Saudi Arabia and Russia. Additionally, China's recent pledge to support the country's economy by driving consumption has boosted Brent.

On Wednesday, China's highest economic planner, National Development and Reform Commission (NDRC), pledged to roll out policies to "stabilise growth in 10 sectors" and "increase support for private firms" in the world's biggest oil-importing nation, according to a Reuters report.

Moreover, Russia has pledged to reduce its oil exports by 2.1 million mt in the third quarter, in line with its planned voluntary cuts of 500,000 b/d in August.

Voluntary supply reduction has been the primary reason for the recent "mini-bull" run, said SPI Asset Management's analyst Stephen Innes. "With demand uncertainty still lingering, supply will likely drive higher prices vs. demand," he added in a note.

Downward pressure:

Brent felt some downward pressure as market analysts have raised doubts about Russia's compliance with oil exports. There are questions whether Russia will follow the export cuts it has announced for August, ING's head of commodities strategy Warren Patterson argued.

Lack of Russia's compliance with oil export cuts could limit the upside in Brent futures, said OANDA's market analyst Ed Moya.

He further noted that a few cuts in interest rates and support for the property market in China will not be sufficient to boost the country's economy. "If China doesn't appear strong the global growth outlook will get slashed and that could keep oil prices heavy a while longer," he added.

By Nithin Chandran and Aparupa Mazumder