ENGINE: East of Suez Physical Bunker Market Update

08/08/23

Regional bunker prices have declined, and bunkering has resumed in Zhoushan's OPL area this morning after being suspended by bad weather for nearly two weeks.

Changes on the day to 17.00 SGT (09.00 GMT) today:

- **VLSFO prices down in Zhoushan ($21/mt), Singapore ($19/mt) and Fujairah ($9/mt)**
- **LSMGO prices down in Singapore ($44/mt), Fujairah ($32/mt) and Zhoushan ($26/mt)**
- **HSFO380 prices down in Fujairah ($16/mt), Singapore ($12/mt) and Zhoushan ($7/mt)**

Bunker benchmarks in East of Suez ports have declined in the past day, mirroring Brent's downward movement. Zhoushan's VLSFO price has fallen by $21/mt – the steepest among major Asian bunker hubs. A lower-priced 150-500 mt VLSFO stem fixed in the past day has contributed to drag the benchmark down.

Zhoushan's steep VLSFO price decline has meant that its VLSFO premium over Fujairah has now flipped to a discount of $4/mt. However, the Chinese bunkering hub's VLSFO discount to Singapore has narrowed to $8/mt as Singapore's VLSFO price has also declined sharply.

Weather-related disruptions and weak demand have kept availability in check in Zhoushan, with most suppliers offering prompt dates for all grades – virtually unchanged from last week.

Bunker deliveries have resumed at Zhoushan's Tiaozhoumen and Xiazhimen outer anchorages this morning after being suspended by bad weather for almost two weeks, a source says. All four anchorages in the Chinese bunkering hub are operational now.

Meanwhile, availability has improved in Singapore amid "quiet demand," a source says. Several suppliers, who were offering VLSFO and HSFO at lead times of almost two weeks, are now offering both grades at shorter lead times of 8-9 days. Lead times of LSMGO have also come down from 4-7 days last week to 2-4 days now.

Brent

The front-month ICE Brent contract has declined by $1.21/bbl on the day, to $84.41/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Upward pressures acting on Brent futures this week include a recent announcement from Saudi Aramco. The state-owned oil company has raised the official selling price (OSP) for its Arab light crude grade for exports to Asia in September.

“The Saudis are raising prices across most of Asia and Europe, with the Arab light crude only being boosted by 30 cents, which was less than the 50-cent rise expected by traders,” said OANDA’s analyst Ed Moya.

Moreover, the Russia-Ukraine war has put some upward pressure on Brent, after a Russian ship was attacked by a Ukrainian drone near the Novorossiysk port.

“Ukraine drone attack on a port is increasing the insurance cost for grains and for oil coming out of the region,” said the Price Futures Group’s senior market analyst Phil Flynn. “It’s another supportive factor that will keep oil prices from falling too far,” he added in a note.

Downward pressure:

Poland-based pipeline operator PERN said that it has restored "full functionality of the damaged [Druzhba] pipeline line on Monday evening." Oil flow through the pipeline was temporarily halted over the weekend due to a suspected leak in a section of the Druzhba pipeline.

Resumption of the pipeline, which supplies oil to Europe, has eased supply concerns.

Additionally, China reported a major drop in oil imports in July, raising concerns about demand growth in the world’s largest oil-importing nation, Reuters reported citing data from China’s General Administration of Customs. The country's crude oil imports were 10.29 million b/d in July, down 19% from the previous month.

Meanwhile, China’s highest state planner, the Communist Party Politburo pledged to accelerate growth in consumption in ten economic sectors that have been affected by continuous COVID-19 outbreaks. However, Chinese authorities have not yet announced any concrete measures in this regard.

“Oil prices could feel a bit of the broader commodity downdraft as traders try to determine the actual economic impacts and the increased demand for oil products these policies would generate,” said SPI Asset Management’s analyst Stephen Innes.

By Tuhin Roy and Aparupa Mazumder