ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have surged with Brent values, and Gibraltar’s HSFO is trading at a rare discount to Rotterdam.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($31/mt), Gibraltar ($15/mt) and Rotterdam ($8/mt)
LSMGO prices up in Durban ($103/mt), Gibraltar ($24/mt) and Rotterdam ($8/mt)
HSFO prices up in Rotterdam ($18/mt) and Gibraltar ($16/mt)

Bunker benchmarks in European and African ports have surged in the past day, tracking Brent’s rally. Gibraltar’s VLSFO price gain has outpaced that of Rotterdam, to widen its premium over Rotterdam’s VLSFO by $9/mt, to $22/mt.

LSMGO gains have been slightly greater than other grades, partly supported by rise in the front-month ICE gasoil futures contract, which has gained by nearly $50/mt in the past day. However, Rotterdam’s LSMGO grade saw a modest price rise. The front-month ICE gasoil futures contract has now moved up from rare near parity levels to Rotterdam’s LSMGO price yesterday, to a premium of $36/mt now.

Also, Durban’s LSMGO price gained significantly for the second consecutive day. The grade has been offered in a wide range of $170/mt in the past day, with the higher end of the range pushing its benchmark up.

Prompt HSFO availability remains tight in Rotterdam and in the wider ARA hub. Some suppliers are committed to supplying HSFO for existing contracts, which has left less supply available for spot demand there, a source says. Tighter HSFO availability in Rotterdam has contributed to lift the port’s benchmark to an unusual premium over Gibraltar's. It is currently priced about $20/mt higher than Gibraltar’s HSFO.

Brent

The front-month ICE Brent contract has gained $2.19/bbl on the day, to $86.60/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained upward momentum after the US Energy Information Agency (EIA) stated that tight global oil supply could drive the Brent price higher through the end of 2023 and the first half of 2024.

In its August short-term energy outlook report, the EIA has forecast the Brent spot price to average $83/bbl in 2023 and $86/bbl in 2024. This indicates an upward revision of $2/bbl for both 2023 and 2024 from its July outlook.

The voluntary production cuts by OPEC+ since the beginning of July this year have helped Brent futures to move upward in recent days, with supply crunch being felt globally. Last week, Saudi Arabia announced the extension of its 1 million b/d output cut to include September, and Russia pledged to reduce its oil exports by 300,000 b/d starting September.

"We expect these factors will continue to reduce global oil inventories and put upward pressure on oil prices in the coming months," the EIA said.

Downward pressure:

Some downward pressure acting on Brent include recent data from the American Petroleum Institute (API) that showed an unexpected build of 4.07 million bbls in US crude oil stocks in the week that ended 4 August, as reported by Trading Economics.

Additionally, China’s crude oil imports declined in July, after a surge in June, market intelligence provider JLC reported, citing data released by China’s General Administration of Customs (GACC).

Concerns about sluggish demand growth in the world’s largest crude importer have weighed down on Brent futures.

China's total crude oil imports in July were about 43.69 million mt, with daily imports averaging about 1.40 million mt, reported JLC.

Chinese trade data was broadly on the soft side for July, reflecting a slowdown in demand for commodities such as oil, said ING’s head of commodities research Warren Patterson. “China’s crude oil, copper, and iron ore imports softened as economic and industrial activity slowed,” he further added.

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