ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have moved in mixed directions, and Rotterdam's Hi5 spread has shrunk to just $23/mt.

Changes on the day from Friday, to 09.00 GMT today:

- **VLSFO prices unchanged in Gibraltar, and down in Rotterdam ($11/mt) and Durban ($5/mt)**
- **LSMGO prices up in Durban ($14/mt), Gibraltar ($5/mt) and Rotterdam ($4/mt)**
- **HSFO prices up in Gibraltar ($3/mt), and unchanged in Rotterdam**

Rotterdam's VLSFO price has declined by $11/mt over the weekend, helped by a lower-priced 500-1,500 mt stem fixed at $604/mt in the past trading day. Gibraltar's VLSFO price, on the other hand, has held steady over the weekend.

The diverging price moves have nearly doubled Rotterdam's VLSFO discount to Gibraltar, from $12/mt on Friday to $23/mt now. VLSFO availability is said to be normal in Rotterdam, and several suppliers are able to supply the grade for prompt delivery dates, a trader said.

Unlike Rotterdam's declining VLSFO price, the port's HSFO price has held steady over the weekend. That has narrowed its Hi5 spread further, to just $23/mt. This is far off wider spreads of $52/mt in Gibraltar and $87/mt in Singapore. Tighter availability of HSFO in Rotterdam has contributed to shrink the port Hi5 spread.

Minimum congestion has been reported in Gibraltar and Algeciras today, port agent MH Bland said. One supplier is experiencing delays of 6-10 hours in Gibraltar, it added.

In Ceuta, bunkering is taking place as usual despite dense fog, according to shipping agent Jose Salama & Co. Two vessels are currently waiting to receive bunkers at berth, and one at anchorage. Another 17 vessels are scheduled to arrive for bunkers there today.

Brent

The front-month ICE Brent contract has shed $0.09/bbl on the day from Friday, to $86.30/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained upward momentum last week after the International Energy Agency (IEA) forecast global oil demand to grow by 2.2 million b/d in 2023.

“Deepening OPEC+ supply cuts have collided with improved macroeconomic sentiment and all-time high world oil demand,” stated the Paris-headquartered agency. “With output cuts hitting the heavy sour crude market hard, Dubai crude is trading at a rare premium to Brent,” it said.

Earlier this month, OPEC+’s two biggest producers, Saudi Arabia and Russia, announced further supply cuts into September to maintain “balance in the oil market”.

Brent futures have drawn support from rising tensions in the Black Sea. A Russian warship fired warning shots at a dry cargo ship heading for the Ukrainian port of Izmail on Sunday, triggering tensions around the Black Sea area for exports from Ukraine and Russia, including commodities like crude oil.

Downward pressure:

Disappointing Chinese crude oil import data has thrown cold water on further Brent gains. The world's biggest oil importing country has been struggling to revamp its growth engine after detrimental blows from lengthy Covid-19 restrictions.

“China will be forced to deliver more stimulus,” said OANDA’s senior market analyst Ed Moya said about China's recent pledge to ramp up the activity and consumption in 10 different economic sectors. However, no updates on these measures have been announced by the Communist Party Politburo - China’s state planner.

“China is key for global oil demand growth this year and the market has been getting increasingly concerned over the weaker-than-expected economic recovery,” said ING’s head of commodities strategy Warren Patterson.

By Nithin Chandran and Aparupa Mazumder