

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

15/08/23

HSFO remains tight in Rotterdam, but its price has now swung back to slight regional discounts.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban (\$14/mt), Gibraltar (\$8/mt) and Rotterdam (\$1/mt)**
- **LSMGO prices down in Durban (\$41/mt), Gibraltar (\$16/mt) and Rotterdam (\$7/mt)**
- **HSFO prices up in Gibraltar (\$2/mt), and down in Rotterdam (\$12/mt)**

The ARA HSFO market is still tight, with several suppliers unable to offer large stem volumes. HSFO cracks have occasionally been in positive territory, which means yielding residual HSFO has been profitable for refiners – which it usually is not.

Upward price pressure on HSFO had squeezed Rotterdam's Hi5 spread to a record low of \$23/mt yesterday. The port's Hi5 spread has since widened by \$11/mt to \$34/mt.

Rotterdam's HSFO price has flipped back to \$8-9/mt discounts to Gibraltar and Malta, which were at rare discounts to Rotterdam yesterday. Piraeus has the grade at a \$12/mt discount to Rotterdam amid good availability in the main Greek port.

There is minimal congestion in Gibraltar, with only lone vessel waiting for a barge to get ready, MH Bland says. Suppliers in Algeciras are delayed by 4-6 hours, and there are slight delays in Ceuta where a barge is running 6-7 hours behind schedule. Demand was strong with 17 vessels scheduled to arrive to bunker yesterday, and has come off some with 11 vessels today, Jose Salama & Co. says.

## **Brent**

The front-month ICE Brent contract has edged \$0.12/bbl lower on the day, to trade at \$86.18/bbl at 09.00 GMT.

### **Upward pressure:**

According to the International Energy Agency (IEA), oil markets are expected to tighten by the end of this year. Pressure will come from Saudi and Russian supply cuts through September and shrinking global inventories amid rising demand. The impending supply crunch could drive Brent higher this year, the IEA has forecast.

Meanwhile, US Strategic Petroleum Reserves (SPR) plunged below 350 million bbls in the week to 4 August, according to the US Energy Information Administration (EIA). This is the lowest level since August 1983.

As a cushion against potential supply disruptions, the low SPR level could expose the US to geopolitical shocks and sudden price fluctuations. As a result, the US could lose its strategic advantage of having access to cheap crude to mitigate sudden market shortfalls.

An EU official source has told Oilprice.com that Iraq does not want to resume oil supply from its Kurdistan-operated northern oil fields. This decision has kept nearly 450,000 b/d of Kurdish oil away from the global market.

### **Downward pressure:**

The downward pressure on Brent remains dominated by concerns about China's economic recovery after lengthy Covid-19 lockdowns. Declining Chinese oil imports in July have further dampened the sentiment.

China's crude oil imports declined by 19% in July compared to June, reported market intelligence provider JLC, indicating weakening demand from the world's largest oil importer.

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